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ABSTRACT

This report, framed by the region's foremost experts on poverty, is the first comprehensive and scientifically rigorous analysis of the implications of welfare reform for the people and communities of Los Angeles (California). Direct and indirect impacts are considered. It is concluded that the number of welfare recipients in Los Angeles likely to slide deeper into poverty as a result of welfare reform is large. Planned reforms will mean a loss of jobs for Los Angeles County, and those expected to change from welfare to work will have grave difficulty securing employment. As some find work, others will lose opportunities. The County will face rising demands on its general relief program, health care services, and children's services, and it will lose Medi-Cal revenues. The extent of social problems related to poverty, such as poor health, child abuse, hunger, and homelessness, may rise significantly. Many communities in the area will be affected, as the impact spreads beyond the immediate city. Neither the voluntary nonprofit sector nor the county of Los Angeles has the economic or political capacity to replace the social safety net or protect the health and welfare of the area's residents. One appendix presents detailed impact calculations, and the other contains the input-output analysis. (Contains 19 tables and 16 figures.) (SLD)

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LOS ANGELES IN AN ERA OF WELFARE REFORM:

Implications for Poor People and Community Well-being

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&
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WITH THE ASSISTANCE OF
JOEL HANDLER AND MADELEINE STONER

April 9, 1997

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The Southern California Inter-University Consortium on Homelessness and Poverty is dedicated to addressing the problems of homelessness and poverty through research, analysis, technical support, and education. Its membership includes representatives from Southern California universities and colleges as well as other members of the academic community in both the public and private sectors.

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EXECUTIVE SUMMARY

Welfare reforms enacted by the federal government in 1996 profoundly altered the nation's social safety net. Reform measures ended key entitlements to public assistance for families and children, and eliminated eligibility for cash and in-kind support for many subgroups within the general population. These changes signal the arrival of a new social contract, one with much harsher terms, that will be played out in local neighborhoods and communities across America.

Los Angeles in an Era of Welfare Reform: Implications for Poor People and Community Well-being constitutes the first comprehensive study of how welfare reform -- and this new social contract -- may unfold in Los Angeles County. The report provides a scenario analysis (featuring Low, Medium, and High Impact scenarios) enabling a comparison of the *direct impacts* of alternative state and local options on welfare reform. The study also offers an assessment of key *indirect impacts* of these alternative scenarios. These impact analyses are based on current information on program provisions and welfare caseloads, economic impact models, and program-specific studies.

Findings from our analysis reveal that:

1. ***The number of welfare recipients in Los Angeles County likely to slide deeper into poverty as a result of welfare reform is large.***

If brought together in one place, those impacted under our High Impact scenario – over 518,000 -- would make up the county's second largest city. Larger than the City of Long Beach, its population would be exceeded in population by the City of Los Angeles alone. Even under a Medium Impact scenario, almost 325,000 poor individuals would suffer loss or reduction in public assistance benefits. (These figures are exclusive of across-the-board benefit reductions affecting all Temporary Assistance for Needy Families program recipients and Food Stamp recipients.) Impacts can only be substantially moderated if the state of California elects to maintain key benefits for legal immigrants, and provides state-funded safety net programs for those barred from aid.

2. ***Welfare reform will mean loss of jobs for Los Angeles County.***

Welfare programs channel significant economic resources into the local economy, creating jobs and additional income. As welfare recipients experience benefits cuts or lose their eligibility for assistance entirely, the Los Angeles economy could suffer direct losses of between $127 million - $1.5 billion dollars per year; indirect job losses due to curtailed consumer spending power could approach 50,000, mostly in retail trade and service industries. Some federal and state savings may eventually trickle down to the locality, but there is no guarantee that jobs and income lost as a result of welfare reform will be replaced. Such impacts could jeopardize the county's fragile recovery, potentially canceling out almost all of the 55,000 new jobs created in 1996.

3. ***Those expected to transition from welfare-to-work will have grave difficulty securing employment; to the extent that they do find jobs, their success will mean that others in search of work come up empty-handed.***

The approximately 250,000 welfare recipients expected to make a transition from welfare to work are competing for less

than 75,000 jobs (including new jobs and openings created by job turn-over), alongside 362,900 officially unemployed workers. In addition, there are 125,000 discouraged workers and almost 100,000 involuntary part-time workers in the county who would take full-time employment if it were available. Like players in a game of musical chairs, people will move from welfare-to-work and from work-to-welfare in this difficult labor market.

4. ***As needs for assistance expand, the County of Los Angeles will face rising demands on the General Relief program, health care services, and children's services, and will lose Medi-Cal revenues.***

Benefit termination will lead significant numbers of people to turn toward the County for help. The County, which is legally mandated to protect the health and welfare of local residents, may face increased costs for General Relief, and added demands on its health care facilities and children's services (including Foster Care). In addition, loss of Medi-Cal revenues can be expected to reduce the County's ability to provide indigent health care, especially trauma services. Together, estimated cost increases and revenue losses range from $59 million per year under a Low Impact scenario, to almost $375 million per year under a High Impact scenario.

5. ***The extent of social problems related to extreme poverty, such as poor health, child abuse and neglect, hunger, and homelessness may rise significantly.***

Depending on scenario, for example, 16,000 - 227,600 people could lose health care insurance; 7,400-30,000 women could lose pre-natal care, and 8,800- 15,400 disabled people could lose in-home support services. Rates of child abuse could increase, and between 3,200-21,000 additional children could wind up in Foster Care each year because their parents have no means to support them. The number of people experiencing homelessness could grow by almost 190,000 -- an increase of 80 percent in the region's homeless population.

6. ***As economic and social impacts of welfare reform ripple throughout the economy, a large number of communities will impacted. Neighborhoods in the county's central subregion, as well as sections of the San Fernando and San Gabriel Valleys, are apt to be hardest hit.***

Workers in a wide variety of industries and income groups could lose jobs as a result of welfare reform, and thus communities in many areas of the county may be negatively affected. Neighborhoods in the central subregion of the county with the largest numbers of recipients directly impacted by welfare reform measures, will be hurt acutely. So could selected communities in both San Fernando and San Gabriel Valleys home to relatively high numbers of recipients. Those areas devastated by the 1992 civil unrest and the 1994 Northridge earthquake, are apt to experience especially large cumulative impacts of welfare reform. Neighborhood business districts may take a nose dive, and housing may be abandoned as the ability of tenants to pay rent falls.

7. ***Neither the voluntary nonprofit sector nor the County of Los Angeles have the economic or political capacity to reweave the social safety net, or adequately protect the health and welfare of Los Angeles residents.***

Already overburdened by requests for assistance, and hurting from falling rates of charitable giving, the voluntary sector is unlikely to raise additional resources on the scale required to meet the growth in human needs resulting from welfare reform. Moreover, voluntary agencies are not necessarily located in those parts of the county where needs will rise most rapidly. The County of Los Angeles is itself in the depths of a major fiscal crisis, has limited legal ability to raise

additional revenues, and faces political obstacles to reallocation of County resources toward welfare. Thus neither the voluntary nonprofit nor local public sectors can be expected to fill the gaping holes in the safety net created by welfare reform.

1. INTRODUCTION

Throughout the twentieth century, Los Angeles has enjoyed rates of growth and prosperity virtually unparalleled in American history. Both the images and realities of the place -- its economic opportunities and chances for social mobility, suburban homes and outdoor lifestyles, movie glitz and glamour, blue skies and golden sunshine -- have made Los Angeles largely synonymous with the American Dream.

Yet Los Angeles is far from immune to the social problems that plague so many other cities of our country. During the past decade, the region suffered the deepest and most devastating recession since the Great Depression and continues to lag far behind the state and the nation in recovery. Now, a social contract in place for more than six decades has been swept aside in the name of federal welfare reform, and Los Angeles confronts the challenge of responding to the local consequences of this massive national policy shift. As the pressures of global competition and geopolitical turmoil mount and affect the region in profound and often contradictory ways, local governments and community organizations are being asked to shoulder ever greater responsibilities for social welfare. The stakes of this game could not be higher. For exactly *how* Los Angeles redefines the social contract will mean -- for hundreds of thousands of Angelenos, and scores of our local communities -- the difference between achieving a piece of the American Dream and living out a nightmare of poverty, degradation, and despair.

The present report, framed by a consortium of the region's foremost academic experts on poverty, constitutes the first comprehensive, scientifically rigorous analysis of the implications of welfare reform for the people and communities of Los Angeles. We have performed this analysis with the clear understanding that many of the key decisions about the design of new welfare programs have yet to be made, and thus definitive proclamations are premature. This study was carried out to shed light on the implications of alternative approaches to welfare delivery now under consideration. Our goal is to inform, and hopefully shape, public dialogue and policy decisions about how to best protect the well-being of our region's communities and most vulnerable people: the large numbers of children, individuals with disabilities, working and unemployed adults, and homeless people who are forced to rely -- periodically or routinely -- on a complex system of public assistance programs, and who now may face a reduction or elimination of support.

In this Summary Report, we present the highlights of our longer, more detailed analysis. First, we place welfare reform in the context of changing economic and social conditions in Los Angeles, and briefly introduce major public assistance programs and caseload dynamics. An orientation to the key provisions of welfare reform follows.

Next, we highlight two kinds of impacts arising from welfare reform:

- *direct impacts -- on individual cash and in-kind income, flows of funds coming into/out of the local economy, and the fiscal situation of Los Angeles County; and*
- *indirect impacts -- on employment and other aspects of economic growth, health and mental health, child welfare, housing and homelessness, the extent of hunger, crime rates, and neighborhood conditions.*

Because welfare reform constitutes a profound devolution of responsibilities for population well-being from the federal government to localities, we then assess the local capacity to meet challenges posed by welfare reform. Specifically, we consider the ability of Los Angeles-based voluntary nonprofit organizations and the County of Los Angeles, which has

statutory responsibility to protect the health and welfare of its residents, to provide for the additional human needs expected to emerge as welfare reform unfolds.

The findings of our analysis are not reassuring. Although under some future scenarios the impacts of welfare reform could be modest, our best assessment is that large numbers of people and many communities will be profoundly hurt -- some irrevocably -- by welfare reform as it is most apt to be implemented. In this context, we conclude this Summary with a brief set of recommendations for devising humane alternatives to welfare reform.

A. The Social and Economic Contexts of Welfare Reform

Los Angeles has undergone major changes over the past two decades. Economic restructuring led to the emergence of the service sector as the dominant element of the regional economy, and to a dramatic loss of traditional manufacturing jobs and defense-related employment. Large-scale international immigration, especially from Asia and Latin America, underpinned the growth of craft sectors such as garment manufacturing as well as business and consumer services. Then, during the 1990s, a recession more severe than the region had experienced since the 1930s -- and lasting more than twice as long as any other recession since -- arrived in Southern California. Over 90 percent of the state's job losses between 1990-1993 resulted from layoffs in Los Angeles County, and by 1993 over 430,000 were unemployed. Despite the recent economic upturn, most new jobs created are low-wage service and retail positions; the decline of manufacturing employment has continued unabated; and the number of job seekers far exceeds the number of job vacancies. Only 55,000 new jobs were created in 1996.

Major demographic shifts also took place in the Los Angeles region, influencing the context of public assistance. These trends have played an important role in the development of the local economy, the transformation of Los Angeles' ethnic make-up, and changing rates and risks of poverty faced by subgroups of the local population. Half of the rapid population growth in the region in the past two decades was due to migration: domestic migration, and especially international immigration. New arrivals changed not only the ethnic make-up of the region, but also the nature of the local labor market, increasing levels of competition and leading to falling real wage rates for many workers. Out-migration from the region also grew during the 1980's and 1990's, as lower-income residents departed the region in search of more favorable circumstances elsewhere. Other important demographic trends of the 1980's were the increasing numbers of single-person households, which increased the demand for a dwindling number of affordable housing units and thus raised rents and rent burdens, and growth in female-headed households, disproportionately headed by women of color.

Many economic and demographic changes of the 1980's led to rising poverty and reliance on public assistance, while at the same time public welfare programs were transformed by benefit reductions and eligibility restrictions. The first major retrenchments occurred in the early 1980's under the "New Federalism," and state-level program changes. Retrenchment continued into the 1990's despite worsening economic conditions in California. Many cost-of-living adjustments were eliminated, and welfare (Aid to Families with Dependent Children) payments were reduced; the County's local relief program benefits fell by almost a third. Housing assistance continued to fall short of that needed by low income families and individuals, leaving many vulnerable to homelessness.

Over 1.3 million residents of Los Angeles County -- almost 15 percent -- lived in poverty in 1990. This official poverty rate undercounts the number of poor people, since California is one of the costliest states in the nation (especially in terms of housing), but federal poverty lines do not take state-level differentials in cost-of-living into account. The composition of the region's poverty population was heavily weighted toward young people, and was also disproportionately female. While the largest share of people in poverty lived in married couple type households, female-headed households were over-represented. Almost a quarter of the poverty population was White Non-Hispanic,

another quarter Hispanic, and about 12 percent Black Non-Hispanic. Recently arrived immigrants comprised a disproportionate share of the poverty group, as did non-labor force participants.

Since 1990, the prolonged recession has led to growing poverty. In the Los Angeles Consolidated Metropolitan Statistical Area (CMSA), which includes the 5 counties of Los Angeles, Orange, Ventura, Riverside, and San Bernardino, the poverty rate had risen to 20 percent by 1993, after which it inched downward slightly to 19.8 percent in 1994, and 18.6 percent in 1995.[1] Thus almost a fifth of all Southern California residents were living in official poverty by the mid-1990s. In Los Angeles County, poverty rates were far higher, rising from 15.1 percent in 1990, to 24.4 percent by 1995; 28 percent of all children lived in families whose incomes were below the poverty line.

B. CASELOADS FOR MAJOR WELFARE PROGRAMS

To help make ends meet, an increasing share of the population now relies on public assistance programs. In Los Angeles County, almost 2.1 million people -- or almost 1 out of every four county residents or 25 percent -- received aid from a major public assistance program in 1995. In 1980, these figures were 1.1 million and 15 percent of the population.

AFDC

- *Over 900,000 individual recipients in Los Angeles County, with caseload growth of 144 percent between 1976-1994*
- *$181 million in aid payments to 340,408 families, with average benefits from $525 - $631 per month*
- *36,000 enrolled in Great Avenues for Independence (GAIN) job assistance program*
- *AFDC Homeless Assistance averaging $473 for 700 families*

SSI

- *Caseload in Los Angeles County grew 39 percent between 1980-1990*
- *336,936 SSI recipients (113,723 legal immigrants); 78,531 IHSS recipients (27,000 legal immigrants)*
- *Combined SSI/SSP monthly benefit $461, for disabled children $497*

Food Stamps

- *Over a million people receiving Food Stamps in Los Angeles County, with caseload growing 18 percent between 1976-1995*
- *Total value $75.5 million, with average monthly value per recipient $72.23 or $180 per household*

General Relief

- *Over 60 percent of all California's General Relief recipients reside in Los Angeles County, their numbers increasing over 400 percent between 1976-1993*
- *Almost one hundred thousand persons receiving GR*
- *Total monthly GR benefit payments $19.5 million; average monthly benefits per case of $210*

Medi-Cal

- *Over a third of California's total Medi-Cal caseload lives in Los Angeles County, with cases growing 213 percent between 1976-1995*
- *AFDC and Medi-Cal: 866,658 individuals (52,021 legal immigrants)*
- *IHSS and Medi-Cal: 8,765 individuals (3,025 legal immigrants)*
- *SSI and Medi-Cal: 336,936 individuals (113,723 legal immigrants)*
- *Medical Assistance Only: 618,513 individuals (85,687 legal immigrants)*

2. Direct Impacts of Welfare Reform in Los Angeles County

Many components of the new legislation await more exact interpretation at the federal level, and California has yet to decide on many of the state options. In this context, the construction of illustrative scenarios serves as an effective tool for demonstrating the range of potential fiscal impacts associated with each affected program and population group.

Our report develops three such scenarios (Low, Medium and High Impact scenarios) based on plausible assumptions, as a means of allowing decision-makers to isolate the ways in which specific reforms will unfold, and thus modifications may be necessary to prevent certain sorts of undesirable outcomes. Detailed descriptions of these scenarios, and the assumptions upon which they are based, are provided in the Appendix to this Report. These scenarios should not be interpreted as predictions but rather as range of possible caseload and fiscal impacts.

In what follows, we present estimates of ***direct impacts*** associated with our three alternative scenarios. Indirect impacts are treated in the following section. The present discussion focuses on impacts of three types:

- *impacts on individuals, including termination or reduction of benefits, loss of personal income, and access to alternative sources of support;*
- *impacts on the local economy, primarily changes in public assistance benefit streams accruing to area client populations; and*
- *impacts on the County budget, as welfare responsibilities and receipt of intergovernmental welfare transfers shift.*

A. Impacts on Individuals

Many different client groups will be affected by welfare reform (Figure 1). These groups include:

- *families with children receiving Temporary Aid to Needy Families (TANF)*
- *persons with disabilities reliant on Supplemental Security Income (SSI)*
- *Food Stamp recipients*
- *persons on General Relief*
- *Medi-Cal recipients*

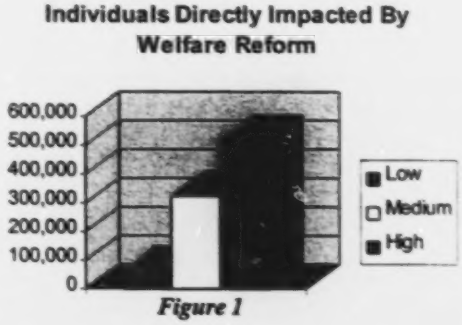

Figure 1

Exclusive of across-the-board benefit level cuts affecting all TANF and Food Stamp recipients, we estimate the total number of individuals in the county experiencing the loss or reduction of one or more public assistance benefits (Table 1). The Low Impact estimate assumes high rates of legal immigrant naturalization, and that the State of California opts to maintain eligibility for certain groups as allowed by federal reforms and creates a state-funded safety net for those terminated by federal mandate. In contrast, the Medium and High Impact estimates assume progressively lower naturalization rates, and increasingly restrictive decisions concerning state options and safety-net provision. Detailed estimates are provided in the Appendix to this Summary Report.

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TABLE 1: INDIVIDUALS DIRECTLY IMPACTED BY WELFARE REFORM (UNDUPLICATED COUNT)

	Low Impact	Medium Impact	High Impact
TANF Recipients Affected by Work Requirements or Time Limits[1]	35,946	113,348	148,444
Children Losing SSI/Medi-Cal[2]	0	2,100	4,020
Substance Abusers Losing SSI	1,404	2,808	5,616
Food Stamp Recipients Affected by Work Requirements /Reductions[3]	0	3,248	12,990
General Relief Recipients Affected by Restrictions/Reductions[4]	0	45,084	67,563
Legal Immigrants Losing SSI	0	39,600	69,300
Legal Immigrants Losing TANF	0	49,600	86,800
Future Legal Immigrants Losing Medi-Cal	16,000	16,000	16,000
Legal Immigrants Losing Medi-Cal	0	30,638	53,615
Legal Immigrants Losing Food Stamps[5]	6,915	13,830	24,202
Undocumented Women Losing Medi-Cal Pre-natal Care	0	7,400	30,000
TOTAL	**60,265**	**323,656**	**518,550**

[1] *Low impact estimate includes legal immigrants, since non are affected under the low impact scenario for TANF-Legal Immigrants losing benefits. Medium and high impact estimates exclude TANF-Legal Immigrants estimated to lose benefits. Estimates represent average annual individuals in the 1996 caseload impacted over the course of the next six years of TANF implementation.*

[2] *Includes children losing SSI who will also lose Medi-Cal.*

[3] *Based on Food Stamp Only estimates by scenario, less 13.4% to avoid double counting Legal Immigrants (percentage based on share of Legal Immigrants in total Food Stamp Only caseload).*

[4] *Based on General Relief scenario estimates, less 16% to avoid double-counting Legal Immigrants estimated to be receiving General Relief who may already be counted under Food Stamps Only (percentage based on share of Legal Immigrants in Total Public Assistance [all programs] caseload), and less Food Stamp Only (Non-Legal Immigrant) estimates, again to avoid double-counting.*

[5] *Estimates based on County data on number of Legal Immigrants receiving Food Stamps Only, who are potentially impacted by welfare reforms.*

Families with Children Affected by TANF

Federal and state changes in the current AFDC program will affect nearly 300,000 families currently receiving assistance. An across the board 4.9% reduction in TANF grant amounts will reduce maximum monthly aid payment for a family of three from $594 to $565 effective January 1, 1997, an annual loss of $348. This cut will be partially offset by increased Food Stamp allocations (a value of $162 per family a year). For the small share of recipients living in publicly-assisted housing units it will result in, a decrease in the share of rent they will be expected to shoulder since rent payments are set at a fixed share of the recipient's income. California's exercise of options pertaining to the family cap, minor parents and relocation grants will also impact a number of TANF families in Los Angeles County (16,000, 6,800, and 1 percent of all cases, respectively).

In addition, work requirements and time limits will impact many families (Figure 2).[2] Our scenarios consider only the Year 1 caseload of 249,294 AFDC-Family Group and 49,836 Unemployed Parent families, after one year of program implementation, and then as this cohort moves over the next five years between several situations: (1) work placements secured individually or through the GAIN (or a similar) program; (2) the TANF program; (3) no assistance; or (4) General Relief. (We thus do not consider families applying for first-time benefits in subsequent years.) We follow this

first year caseload's cycle through year 6, since at that point recipient families will be subject to the federal five-year life-time limit on aid.

The scenarios share certain key features,[3] but diverge in ways that reflect key provisions of proposals made by the Governor and the Legislative Analyst. Under the Low Impact scenario, welfare recipients either find employment or community-service jobs, or cycle off autonomously; thus no one is cut off due to work requirements, but almost 75,000 cases would be affected by the five-year lifetime limit by Year 6. In the Medium Impact scenario, we assume recipients are required to work after two years; GAIN funding triples, but no community service positions are created. All groups cycle on and off of TANF; those allowed to return after 1 year stay on TANF for two years. Recipients continuously participating in GAIN simultaneously receive public assistance, and so are terminated in year 6. Here, only about 5,600 reach lifetime limits by year 6, but over 328,000 cases are terminated over years 2-6.

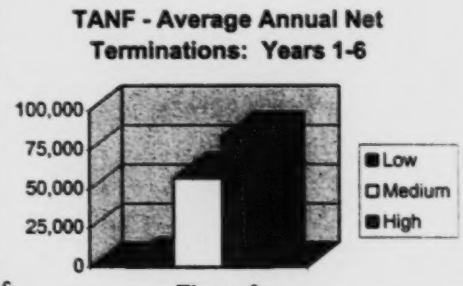

Figure 2

Last, the High Impact scenario is similar to the Medium Impact scenario, except that GAIN funding increases more slowly; recipients are required to work after one year on TANF (instead of two); and those returning to TANF may only receive benefits for one (instead of two) years. This results in almost 4,000 cases meeting lifetime limits, and over 485,000 cases terminated during years 2-6. The toll of time limits on children will be high. Under Medium and High impact scenarios, for example, over 3,700 addition children could be sent to Foster Care during the first year of implementation, and between 16,000 - 24,000 could be placed in Foster Care each year during years 2-6. Those families migrating to the County's General Relief program would receive a loss of almost one-fifth of their income support, thus putting their children in even greater jeopardy from the effects of extreme poverty.

Adults attempting to transition from welfare to work, as well as those eventually terminated from TANF, will face an extraordinarily harsh labor market context. Moreover, because of the spatial mismatch between the residential location of recipient households and job opportunities, many adults facing time limits will be disadvantaged in their search for work. Furthermore, many recipients have minimal job skills, and shoulder child care responsibilities. Regardless of such relative disadvantages, in a labor market with a fixed number of jobs where hundreds of thousands are already unemployed, to the extent that welfare recipients are successful in finding jobs, non-recipients will be unsuccessful; the job market essentially becomes a game of musical chairs.

Persons with Disabilities Losing Benefits

New eligibility requirements impact disabled children and persons with substance abuse disorders (Figure 3). With respect to children, the new provisions now require that children have a "medically determinable physical or mental impairment which results in marked and severe functional limitations." As a result, over 6,000 disabled children in Los Angeles County are waiting to have their eligibility for SSI reviewed. Our scenario analysis indicates that while children losing SSI would be cushioned by a state-funded safety net in a Low Impact situation, under Medium and High Impact scenarios (which vary according to the assumed rate of requalification for SSI), between 2,100 and 4,020 children would lose monthly benefits of $497. Those migrating to TANF would experience a 50 percent reduction in income; others would lose support entirely, except for a $72 per month Food Stamp benefit. In addition, children who lose SSI may also lose Medi-Cal because the categorical link between the two programs will no longer be in place. Under a Low Impact scenario all children are recertified, and none would lose benefits; under Medium or High Impact scenarios, between 315 and 603 children would lose Medi-Cal, a benefit valued at approximately $2,400 per year.

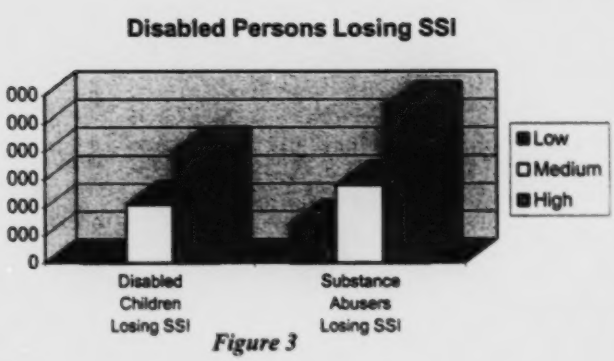

Figure 3

Unless they can re-qualify under other disabilities, SSI recipients with substance abuse-related disorders will be terminated. Estimates of how many individuals with substance abuse-related disabilities will actually re-qualify range from 50 to 75 percent of all 5,616 such recipients in Los Angeles County, suggesting that between 1,404 and 5,616 will lose SSI benefits averaging $488 per month. Those migrating to General Relief would experience a 57 percent drop in income.

Individuals Losing Food Stamps

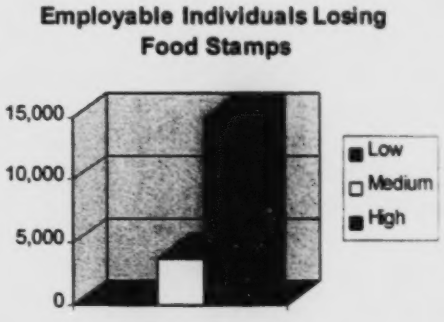

Figure 4

Food Stamp recipients will experience an across-the-board cut in benefits and changing rules for benefit determination (household definition, and deduction/resource limits). In addition, failure or inability to comply with newly-instituted work requirements, mandated for all childless, able-bodied recipients, could result in a substantial loss of Food Stamp benefits in Los Angeles County. Under our Low Impact scenario, the entire Food Stamp caseload loses 3 percent of their monthly benefits or an average of $65 per household a year, and all able-bodied recipients either work a sufficient number of hours or participate in the County Workfare program thus successfully meeting the new work requirements (Figure 4). Under Medium and High Impact scenarios, however, in addition to the across-the-board cut and other rule changes, between 3,750 and 15,000 employable recipients would lose benefits for failure to comply with work requirements.

Individuals Losing General Relief

Many aspects of the higher-level reform-driven programs have yet to be designed, making it difficult to predict reform impacts on persons receiving General Relief. If the County opts to implement a three month limit for employable recipients of General Relief, approximately 60 percent of the entire General Relief caseload would be affected.[4] Substituting cash with in-kind benefits or reducing benefits would also impact the entire General Relief caseload of almost 100,000 individuals. And if the County were to discontinue General Relief entirely, as allowed under the Governor's proposed plan, this population would be entirely cut off from all cash assistance.

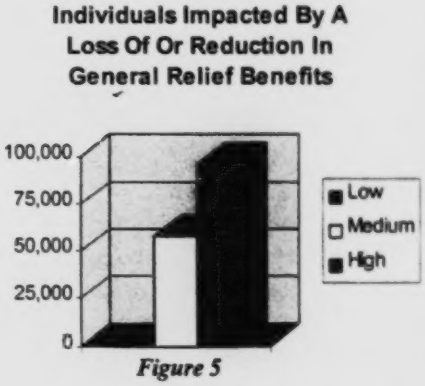

Figure 5

Because discussion of General Relief reforms has just begun, our scenarios depict a range of possible outcomes likely to result should various reform options currently on the table be adopted. Under a Low Impact scenario, in which Los Angeles County does not opt to limit GR benefits to three months for employable adults, there would be no loss of benefits to this population (Figure 5). Assuming that a three month limit is implemented (Medium Impact scenario), however, approximately 60 percent of the entire General Relief caseload, or over 57,000 individuals, would receive monthly benefits for only three months a year, reducing their income by 75 percent. A High Impact scenario assumes a 47 percent benefit cut to $100 per month affecting 95,896 GR recipients (possible if California Welfare and Institutions Code Section 17000 is eliminated), and a three month time limit for employable recipients, who would receive only $300 per year.

An option not incorporated into the above scenarios is a state-takeover of the General Relief (statewide) program. A state takeover would involve the state setting the basic program framework for General Assistance including grant levels and eligibility requirements, while counties would retain maximum control over administering the program. Funding would be provided through a state-county partnership to ensure that counties would have sufficient resources to assist their residents most in need of financial assistance. Such an arrangement could prove beneficial for several reasons. Recent welfare reform provisions, especially those pertaining to legal immigrants, will undoubtedly generate considerable growth in the General Assistance caseload. In past years, however, the counties' ability to increase tax revenue has been extremely limited, which may prompt them to disentitle a variety of recipient sub-populations (i.e. those considered less "deserving" of assistance, such as able-bodied single men). The state could provide needed General Assistance funding from state general funds and prevent such dislocation.

Public Assistance and Elderly, Disabled or Impoverished Legal Immigrants

Legal immigrants have historically been eligible for a full range of public assistance benefits. In contrast, undocumented persons have long been eligible only for emergency assistance (e.g., emergency medical services). Welfare reform, however, bars legal immigrants from Food Stamps and SSI, and the state could opt to bar them from TANF. The primary determinant of how many legal immigrants will lose benefits is the rate at which they naturalize, and become U.S. citizens. The Immigration and Naturalization Service estimates that 60 percent of California's legal immigrants are eligible to apply for naturalization.[5] Since there are many reasons why rates of naturalization could be much lower (processing delays or costs, inability to meet requirements, etc.), we use a range of rates in our scenarios.

California has not indicated that it will bar legal immigrants from TANF, and so under a Low Impact scenario no legal immigrant families would be barred from this program. Should the state opt to enforce a bar, families would lose TANF benefits in Los Angeles County unless they naturalize.[6] Our Medium Impact scenario assumes a full 60 percent naturalization rate, leading to benefit termination for 40 percent of nearly 50,000 adults with children (Figure 6). Terminated families migrating to General Relief would suffer an income reduction of almost 25 percent, while others would lose all public assistance income. Should only 30 percent naturalize, the remaining 70 percent -- over 86,000 adults with children, would lose benefits.

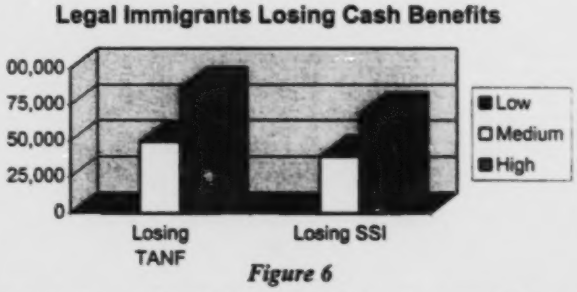

Figure 6

Of the over 113,000 legal immigrants currently receiving SSI in Los Angeles County, 99,000 do not meet any exemption criteria.[7] If In-Home Supportive Services (IHSS) remain coupled with SSI eligibility, 22,000 legal immigrants will also lose In-Home Supportive Services (IHSS).[8] Again, unless the state establishes a state-funded safety net program (our Low Impact case), between 40,000 and 70,000 legal immigrants would lose SSI averaging $461 per month, depending on naturalization rates; between 13,000 and 15,000 would lose IHSS benefits. Those migrating to General Relief would lose over 40 percent of their support income. Legal immigrants losing SSI/IHSS services would remain eligible for the Medically Needy program. Legal immigrants losing SSI are now barred from Food Stamps.

Although the Medicaid program was not directly changed under welfare reform, a number of federal and state provisions may affect eligibility among current and future legal immigrants for Medi-Cal, California's Medicaid program (Figure 7). First, states can opt to render all current legal immigrants ineligible for Medi-Cal. While Governor Wilson has recently stated his intention to allow current legal immigrants continued Medi-Cal eligibility, our scenarios depict a range of potential consequences should California in fact pursue such a bar.

In addition, H.R. 3734 bars all future legal immigrants (with no state option) from Medi-Cal for at least five years after arrival in the U.S. Refugees, asylees, aliens with deportation being withheld, veterans and individuals on active Armed Forces duty and their immediate family will be excepted from this bar. Approximately fifteen percent of households headed by foreign-born individuals currently receive Medicaid benefits. Under a Low Impact scenario in which there is no bar on access to Medi-Cal, we estimate that 16,000 future legal immigrants per year will be denied Medi-Cal services in Los Angeles County.[9] Should the state implement a bar, former SSI, IHSS, AFDC, and Medi-Cal Only recipients would lose their medical coverage, their numbers varying with naturalization rates.

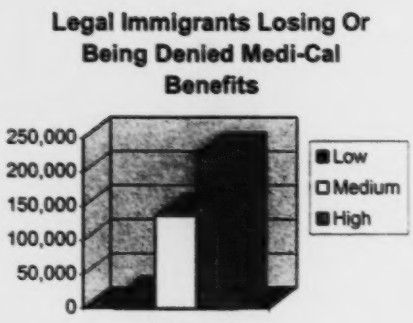

Figure 7

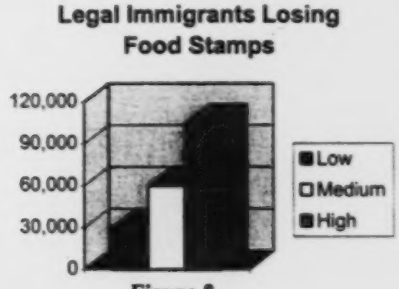

Figure 8

Turning to Food Stamps, an estimated 150,000 legal immigrants are at risk of being completely barred from receiving Food Stamp benefits (Figure 8).[10] In addition, individuals with refugee/asylum/withheld deportation status, will be limited to only five years of Food Stamp benefits. Our scenarios assume that all employable recipients meet work requirements, and that between 80 percent and 30 percent of the 150,000 legal immigrants at risk of losing Food Stamp benefits are able to naturalize and retain benefits. Under the Low Impact scenario, 20 percent or 30,000 lose Food Stamp benefits averaging $72 per month. Medium and High Impact scenario losses range from 60,000 to 105,000.

Undocumented Women

California has decided to bar undocumented residents from emergency Medi-Cal coverage including pre-natal care for pregnant women. It is estimated that 38,000 to 40,000 women could lose pre-natal care in Los Angeles County alone.[11] The total loss of Medi-Cal reimbursements for pre-natal care for these women exceeds $18 million a year to both public and private service providers.[12] Without Medi-Cal funding, our Low Impact scenario assumes that the County continues to provide and fund these services with County revenue (Figure 9). Under a Medium Impact case, we assume that some women, perhaps 25 percent, will not seek pre-natal care either out of fear of being deported or because they do not know these services are still available free of cost. Therefore, 10,000 women would not seek County funded pre-natal care and 74 percent, or 7,400 of these would not seek pre-natal care at all.[13] A High Impact scenario would entail all 40,000 women being denied pre-natal care due to the County's failure to provide such services, and 74 percent not seeking care elsewhere (leaving 30,000 without care).

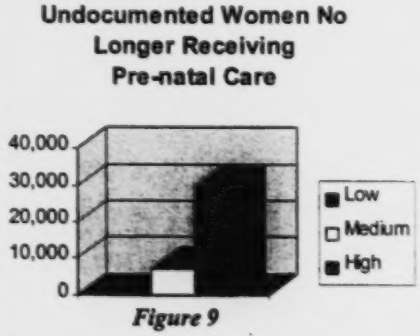

Figure 9

B. Direct Impacts on the Local Economy

Figure 10 summarizes our findings with respect to the changes in public assistance funds flowing into/out of the local economy as a result of welfare reform in Year 1 of implementation. These changes result from benefit elimination, moderated by in-flows of alternative benefit dollars (for example, loss of SSI attenuated by added Food Stamp revenues). In addition, we estimate losses related to the elimination of Medi-Cal reimbursements. Losses associated with TANF time limits are discussed separately below, and impacts on the County budget per se (rather than the economy more generally) follow in Section C. We assume that added costs to the County budget will be met by an internal reallocation of County resources, rather than through new revenue generation. Thus, neither overall County spending or the local economy would be affected.

Table 2 provides additional detail on the sources of direct economic impact. At the bottom of the Table, we aggregate all of the dollar losses associated with each scenario. It should be noted, however, that the probability of having scenarios play out in practice vary by program and population; thus while for one program the Low Impact scenario is most likely to occur, under another program the Medium or High Impact scenario might be most probable. Nonetheless, this aggregation provides a rough idea of the range of direct economic impacts that could flow from reform measures.

Under Low Impact scenarios, impacts are modest (with losses totaling less than $130 million per year); under Medium and High Impact scenarios, however, impacts become much larger: from almost $1 billion to $1.5 billion per year. Such direct impacts, which translate directly into lost consumer spending power, are sizable and as our analysis of indirect economic effects shows, produce significant losses of jobs, employee compensation, and property income affecting wide segments of the Los Angeles economy.

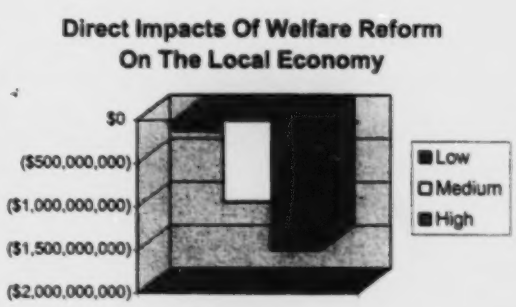

Figure 10

Different reform provisions are linked to economic impacts of varying magnitude. By far, the largest potential losses arise from elimination of program eligibility for legal immigrants. Depending on the scenario, losses linked to termination of legal immigrants range from almost 50 to 90 percent of all direct economic impacts. Some of these losses are relatively unlikely, for example, denial of TANF or Medi-Cal benefits; but even excluding these programs from consideration, SSI and Food Stamp losses linked to legal immigrant provisions are significant.

With respect to TANF time limits, we have only estimated the direct economic impacts of the Year 1 caseload as it cycles through various situations over Years 1-6. However, during Years 2-6, our scenarios suggest that losses associated with the Year 1 caseload would total from $458 million (Low Impact) to $2.7 billion (High Impact). Because additional Food Stamp, Foster Care, and state Maintenance of Effort (MOE) funds required by federal law would flow into the region as TANF clients are terminated, these losses would drop to $227 million (Low Impact) to $846 million (High Impact).

TABLE 2: DIRECT IMPACTS ON THE LOCAL ECONOMY- FIRST YEAR

	Low Impact	Medium Impact	High Impact
TANF Time Limits	• $18 Million in TANF benefits lost in year 1 • $2 Million in added Food Stamp benefits in year 1 • $7 Million in added Foster Care payments in year 1	• $92 Million in TANF benefits lost in year 1 • $10 Million in added Food Stamp benefits in year 1 • $36 Million in added Foster Care payments in year 1	• $92 Million in TANF benefits lost in year 1 • $10 Million in added Food Stamp benefits in year 1 • $36 Million in added Foster Care payments in year 1
Disabled Children Losing SSI	• None	• $ 7.8 Million/year in lost SSI/SSP benefits • $1.8 Million/year in added Food Stamp benefits	• $ 15 Million/year in lost SSI/SSP benefits • $3.5 Million/year in added Food Stamp benefits
Disabled Children Losing Medi-Cal Benefits	• None	• $ .76 Million/year in lost Medi-Cal reimbursement funding	• $ 1.4 Million/year in lost Medi-Cal reimbursement funding
Substance Abusers Losing SSI	• $ 8.2 Million/year in lost SSI/SSP benefits • $1.2 Million/year in added Food Stamp benefits	• $ 16.4 Million/year in lost SSI/SSP benefits • $ 2.4 Million/year in added Food Stamp benefits	• $ 32.9 Million/year in lost SSI/SSP benefits • $ 4.9 Million/year in added Food Stamp benefits
Individuals Losing Food Stamps	• $ 34 Million loss in food stamp cuts in FY1996/97	• $ 37.3 Million loss in food stamp cuts in FY 1996/97	• $ 47 Million loss in food stamp cuts in FY 1996/97

TABLE 2: DIRECT IMPACTS ON THE LOCAL ECONOMY- FIRST YEAR - CONTINUED

Individuals Losing General Relief	• None	• None	• None
Legal Immigrants Losing TANF	• None	• $ 109.7 Million/year in lost TANF benefits	• $ 196.2 Million/year in lost TANF benefits
Legal Immigrants Losing SSI	• None	• $ 258.6 Million/year loss of SSI/SSP & IHSS benefits	• $ 452.7 Million/year loss of SSI/SSP & IHSS benefits
Legal Immigrants Losing Food Stamps	• $ 24 Million/year in lost food stamp benefits	• $ 48 Million/year in lost food stamp benefits	• $ 84 Million/year in lost food stamp benefits
Legal Immigrants Losing Medi-Cal Benefits	• $38.4 Million/year in lost potential Medi-Cal reimbursement funding	• $405.2 Million/year in lost/denied Medi-Cal reimbursement funding	• $680.2 Million/year in lost/denied Medi-Cal reimbursement funding
Undocumented Women Losing Pre-Natal Care	• $ 18 Million/year in lost Medi-Cal reimbursement	• $18 Million/year in lost Medi-Cal reimbursement • $11.5 Million/year in added health care costs to public/ private health care providers	• $ 18 Million/year in lost Medi-Cal reimbursement • $46 Million/year in added health care costs to public/ private health care providers
TOTAL	**- $ 127.4 Million**	**- $ 939.1 Million**	**- $ 1.5 Billion**

C. DIRECT IMPACTS ON THE COUNTY BUDGET

Under legal mandate to protect the health and welfare of its residents, the County of Los Angeles provides relief programs for those deemed ineligible for state and/or federal programs. In addition, the County's Department of Health Services provides medical care to large numbers of medically indigent persons, receiving Medi-Cal reimbursements for some portion of this care. Similarly, the County is responsible for 30 percent of Foster Care placement costs. Under welfare reform, termination of eligibility for cash assistance from either TANF or SSI programs, restriction/elimination of Medi-Cal access, and an increase in Foster Care placement rates can be expected to translate into additional costs for the County (Figure 11).

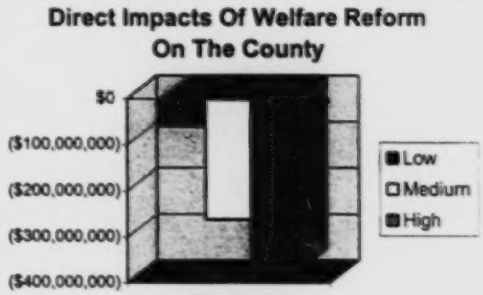

Figure 11

Table 3 provides additional details on the sources of County budget impacts. Not all of those losing cash benefits will migrate into the locally-funded General Relief program; there are no firm estimates of what share can be expected to migrate. For illustrative purposes, however, our scenarios assume that half of all terminated TANF and SSI recipients will seek aid from General Relief. At the same time, potential changes in the General Relief program itself could be implemented, to reduce access and benefits to this program of last resort and save County dollars.

The case with lost Medi-Cal reimbursements is more complex. Our estimates relate to direct reductions in reimbursements, due to possible eligibility terminations; but since the County's public health system does not provide care to all those Medi-Cal recipients who might be cut off, not all impacts would be borne by the County itself but rather other local hospitals providing health care services to Medi-Cal clients. In the absence of solid assessments of how responsibilities for potentially impacted client groups might be distributed across public and private health service providers, scenario estimates presented here assume roughly proportional levels of responsibility for service delivery to Medi-Cal clients affected by welfare reform provisions.

County costs linked to welfare reform range from almost $60 million per year to almost $375 million. Additional Foster Care costs are estimated to range from $3 to 15.5 million; lost Medi-Cal reimbursements and increased costs due to

denial of Medi-Cal funding for pre-natal care for undocumented women, range from between almost $47 to $332 million; and additional General Relief costs range from a modest $9 million (Low Impact) to over $200 million (High Impact). Only if the County moved to severely restrict access to General Relief and cut benefits, thus saving between $108.7 and $179.2 million per year under our Medium and High Impact scenarios for General Relief clients, would these latter costs be attenuated.

TABLE 3: DIRECT IMPACTS ON THE COUNTY - FIRST YEAR

	Low Impact	Medium Impact	High Impact
TANF Time Limits	• $7.5 Million in added GR costs in year 1 • $ 3 Million in added Foster Care costs in year 1	• $37.6 Million in added GR costs in year 1 • $ 15.5 Million in added Foster Care costs in year 1	• $37.6 Million in added GR costs in year 1 • $ 15.5 Million in added Foster Care costs in year 1
Disabled Children Losing SSI	• None	• None	• None
Disabled Children Losing Medi-Cal	• None	• $.38 Million/year* in lost Medi-Cal reimbursement funding	• $5.2 Million/year* in lost Medi-Cal reimbursement funding
Substance Abusers Losing SSI	• $ 1.8 Million/year in added GR costs	• $ 3.5 Million/year in additional GR benefit costs	• $ 7.1 Million/year in additional GR benefit costs
Individuals Losing Food Stamps	• None	• None	• None
Individuals Losing General Relief	• None	• $ 108.7 Million/year savings in reduced GR benefit costs	• $ 179.2 Million/year savings in reduced GR benefit costs
Legal Immigrants Losing TANF	• None	• $ 42.8 Million/year in additional GR benefit costs	• $ 74.9 Million/year in additional GR benefit costs
Legal Immigrants Losing SSI	• None	• $50 Million/year in additional GR benefit costs	• $ 87.5 Million/year in additional GR benefit costs
Legal Immigrants Losing Food Stamps	• None	• None	• None
Legal Immigrants Losing Medi-Cal	• $19.2 Million/year* in lost potential Medi-Cal reimbursement funding	• $202.6 Million/year* in lost/denied Medi-Cal reimbursement funding	• $340.1 Million/year* in lost/denied Medi-Cal reimbursement funding
Undocumented Women Losing Pre-Natal Care	• $27.6 Million/year in costs for providing pre-natal services without Medi-Cal reimbursement	• $17.2 Million/year in costs for providing pre-natal services without Medi-Cal reimbursement	• No costs for providing pre-natal services • Medi-Cal reimbursement funds for health care for infants in first year of life outweigh lost Medi-Cal reimbursements for pre-natal care by $13.8 Million/year (net gain)
TOTAL	**- $ 59.1 Million**	**- $ 260.9 Million**	**- $ 374.9 Million**

**Our scenarios have estimated the potential loss of Medi-Cal reimbursement funding to the local economy, which includes both private and public health care facilities in the county. Without information on what share of these funds go to public as opposed to private facilities, we have assumed that these funds are split 50/50. Thus, the amounts listed here under lost Medi-Cal reimbursement funds are 50 percent of the totals given in direct fiscal impacts on the local economy.*

In addition to direct impacts, the County will face a variety of indirect effects of welfare reform. Not all can be estimated quantitatively. Such effects are treated in the following Section.

3. Indirect Impacts of Welfare Reform in Los Angeles County

Welfare reform will have a host of secondary effects. Our report highlights indirect impacts on:

- *business, employment and the economy;*
- *health access and services for poor people;*
- *child and family welfare;*
- *housing and homelessness;*
- *hunger;*
- *crime; and*
- *neighborhood effects.*

A. The Economy

Los Angeles County lost enormous numbers of jobs during the recession, and trails behind both the state and nation in terms of economic recovery. These economic circumstances are reflected in the rapid rise in welfare caseloads of the early 1990s, the county's slower rate of caseload decline compared to the nation, and the large numbers of individuals now seeking work.[14] Expected growth rates for the county are essentially flat, and the county remains approximately 300,000 jobs short of its pre-recession peak.[15] Only about 36,000 jobs were created in 1995, and 55,000 jobs during 1996.

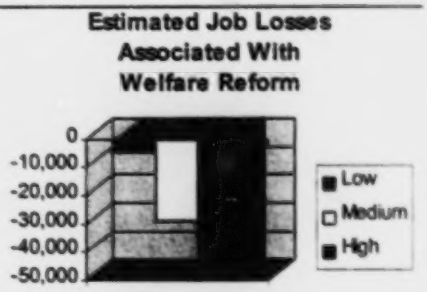

Figure 12

Welfare reform may severely jeopardize Los Angeles' fragile economic recovery, as changes in the level of public assistance dollars flowing into the region translate into reduced consumer purchasing power and thus job loss, employee compensation, and property income (Figures 12 and 13). Maintenance of Effort requirements will channel some state funds into the county; cash income reductions may be partially offset by increases in Food Stamp benefit levels for those who remain eligible for this program; and expected increases in Foster Care placements will bring nonlocal money flowing into the county's economy.[16] But these offsetting revenue streams will be insufficient to eliminate the economic impact of welfare reform measures. Moreover, additional burdens on the County budget associated with welfare reform provisions, from increases to the GR caseload or additional unreimbursed medical service expenditures, are unlikely to be met by revenue generating initiatives. Given current legal limitations on increasing property taxes and local public spending (i.e. Propositions 13 and 4), such added costs are most apt to be met by reductions in other areas of the County budget, or through benefit/service reductions.

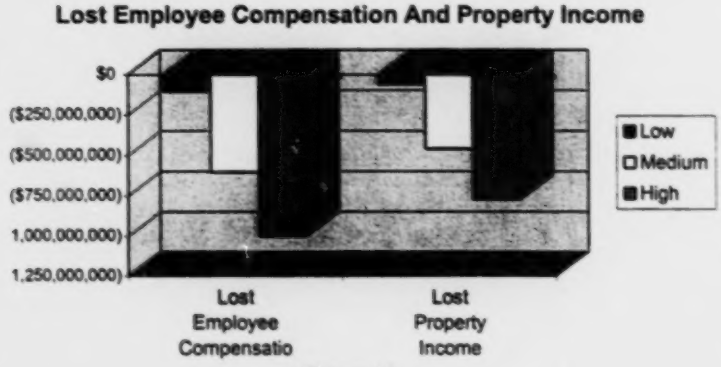

Figure 13

In the context of slow economic rates in Los Angeles County, such job losses are highly significant. Under the High Impact scenario, job losses would wipe out over 85 percent of all new jobs created in the county in 1996. Certain major sectors of the economy would suffer the greatest losses, particularly trade and services. Under the Medium Impact scenario, approximately 1.6 percent of all trade-related jobs would be lost, rising to 2.6 percent under the High Impact scenario; retail trade, especially grocery stores, would be hardest hit. In the case of services, losses would range from 1.1 to 1.9 percent under Medium and High Impact scenarios, respectively. Local governments across the region would be financially hurt by such job impacts, especially those in the retail trade area. Losses of retail trade output associated with each scenario, for example, translate into reductions in sales tax revenues for local government ranging from $7 million to $46 million dollars per year.

Economic impacts of TANF time limits/work requirements in Year 1 of implementation are relatively small under any scenario. Between Years 2 and 6, however, as recipients cycle on/off TANF and meet lifetime eligibility limits, job losses mount. Although losses are held down due to the infusion of Foster Care funds and MOE dollars, which augment the county economy, they still range from 6,239 under the Low Impact scenario, to 21,421 under the Medium Impact scenario, to 22,316 under the High Impact scenario. On an annual basis these losses range from 1250 to almost 4,500 jobs.

It must be emphasized that although TANF-related job losses outlined here are relatively modest, they pertain to a single year's caseload. Given continuing slow growth in the local economy, families will inevitably experience financial difficulties, and some share will exhaust unemployment insurance and other sources of support. Regardless of labor market conditions, some families will continue to experience life crises which lead them to seek public assistance. Thus in Year 2, 3, and so on, as cohorts of new applicants apply for/receive TANF, program requirements will create a series of mounting, cumulative economic impacts as recipients cycle through the system and eventually meet lifetime eligibility limits.

These findings may overestimate the extent of job loss, because the county's economy is open and so savings generated elsewhere may flow into the local economy. But because of increasing demands on federally-funded food, health care, child welfare, and low-income housing programs, projected welfare savings will be sharply attenuated. Our scenarios are more likely to underestimate impacts, since they do not track the cumulative impacts of economic change as they are played out over time, and because they do not account for the impacts on business investment decisions of an overall decline in the quality of life in Los Angeles -- for example increasing rates of homelessness, and deteriorating public services.

Specific Impacts on Low Wage Workers and County Workers

Two particular segments of the labor force may be especially affected -- low wage workers, and selected groups of employees of Los Angeles County. Low-wage workers could be affected by growth in the low-wage labor pool created by TANF time limits and work requirements. For example, the influx of job seekers due to TANF implies an increase in the number of unemployed persons looking for work of up to 34 percent. Expansion of the low-wage labor pool can be expected to exert downward pressure on wages.

A recent study suggests that in California, given a 3 percent increase in the bottom thirty percent of the labor market:

- *Average wages would fall by almost 18 percent.*
- *Workers could lose up to $1.02/hour, shrinking their hourly wage rate to $4.67 (in 1994 dollars).*
- *"Lost wages" could total $6.4 billion per year.*

County workers could also be affected indirectly by welfare reform. For example:

- *Overburdened child welfare workers may face increase case management responsibilities.*

- *Falling IHSS caseloads could cost some IHSS workers their jobs; Medium and High Impact estimates suggest that County IHSS workers could lose between $40 - $70 million in wages per year, respectively.*
- *Work requirements may stimulate a large-scale expansion of workfare, which could ultimately displace County employees.*

With respect to workfare, approximately 22,000 people now participate in the GR workfare program, roughly equivalent to 5,000 full-time equivalent workers.[17] These workfare workers -- laboring for the equivalent of the minimum wage of $5.25/hour -- are concentrated in Departments of Public Works, Parks & Recreation, Public Social Services, Health Services, and Sheriff (Juvenile division), performing job tasks similar to County employees paid between $6.58 - $10.82/hour, with benefits. At this point, there is little evidence of employee displacement due to the availability of GR workfare workers. But concern about displacement has mobilized labor and community organizations. Rising County welfare program costs could lead to more aggressive efforts on the part of the County to substitute workfare participants for public sector employees. Other avenues to public assistance cost reduction, including privatization and automation, could also negatively impact County workers by shrinking/eliminating certain job categories, limiting opportunities for reclassification and advancement, and putting downward pressure on wages.

B. Health & Mental Health

With the current health care system in Los Angeles County already in a precarious situation, any additional loss in Medi-Cal coverage or growth among the uninsured population could have dire consequences for service delivery in the future. Recent findings indicate that:

- *Nearly half of Los Angeles County residents (4.3 million people) are uninsured or covered by Medi-Cal.*
- *In 1992, the 2.6 million uninsured residents needed approximately 15 million doctor visits per year, of which 4 million did not take place. The majority of the remaining 11 million visits were provided for by County health services as well as by other public and private health care facilities.*
- *At the start of the 1995-96 fiscal year, Los Angeles County was faced with an unprecedented $655 million budget deficit in health services.*
- *County revenue available for indigent health care has continued to decline because of limitations on increasing tax revenues embodied in Propositions 4 and 13, and decreasing funding from Proposition 99.*
- *The number of public and private hospitals, trauma centers and paramedic receiving hospitals has continued to decline during the past decade due to increasing competition and dwindling financial resources.*

According to the Medi-Cal scenarios presented in this study:

- *Between 315 - 600 disabled children could lose their Medi-Cal coverage .*
- *Approximately 16,000 legal immigrants new to Los Angeles could be denied Medi-Cal every year.*
- *From 8,800 - 15,400 legal immigrants could lose their IHSS benefits.*
- *If the state exercises the option to bar all legal immigrants from non-emergency Medi-Cal coverage, between 137,000 - 227,000 individuals could be denied Medi-Cal.*

- *Additional individuals could be at risk if California opts to deny parents failing to meet TANF work requirements health coverage, if individuals losing SSI also lose the categorical link to Medi-Cal or if individuals who transition from welfare to jobs without health insurance eventually lose Medi-Cal coverage.*
- *Between 7,400 - 30,000 undocumented women could receive no pre-natal care at all.*

Reduced Medi-Cal coverage will increase the number of uninsured individuals in the county, causing the following impacts:

- *Declining overall public health because a lack of preventive and early intervention services could lead to an increasing prevalence of treatable and preventable illnesses.*
- *The percentage of "non-urgent" emergency room visits could skyrocket because access to health care will become increasingly limited for a larger percentage of the population.*
- *Costs of treating illness at advanced stages will increase.*
- *Reduced disproportionate share hospital (DSH) payments linked to Medi-Cal reimbursements, will mean even scantier financial resources with which to fund indigent care in Los Angeles; in 1995-96 DSH payments accounted for over half of the funding for indigent health care.*
- *Women denied pre-natal care could give birth to children with decreased average birth weight and increased rates of morbidity and mortality.*
- *Without pre-natal care sexually transmitted disease (STD) screening for undocumented the rate of STD transmission could increase and long-term treatment costs could rise resulting in a potential cost of $19 - $26 million.*[18]
- *Elderly legal immigrants who lose In Home Supportive Services (IHSS) could require placement in high cost nursing homes.*

Increasing demand from people who cannot pay for their care will increase the financial burden on safety net providers and may potentially cause many clinics and health centers to close their doors. For other clinics, increasing demand will increase waiting times for primary care and preventive services. This, in turn, will force individuals to delay getting needed care, or to forgo getting any care at all. By their very nature, uninsured individuals often do not receive preventive care which can mitigate and prevent longer term health problems and costs. Furthermore, with no or limited access to primary care facilities, the uninsured often turn to hospital emergency rooms for non-urgent treatment.

Welfare reform measures will also impact the mental health of Los Angeles residents in the following ways:

- *Increased economic instability resulting from welfare reform could lead to overall social stress increases contributing to higher levels of mental hospitalization and admission rates to other treatment settings.*[19]
- *As already vulnerable people are impacted by welfare reform in significant numbers, psychological functioning may lead to rising rates of acute episodes of mental disorder, and deteriorating mental health status of those already coping with a chronic disability.*
- *The growing prevalence of "welfare bashing" can lead to further reduced self-esteem for many welfare recipients.*

C. CHILD & FAMILY WELFARE

Of all the populations impacted by welfare reform, there are none more vulnerable than children. Punitive reform measures targeted at poor adult parents have historically impacted their dependent children as well. As family incomes decline and the rate of poverty escalates, [20] the repercussions will fall disproportionately on the shoulders of our youngest residents. This is significant because the healthy development of children, especially very young children, is influenced by their parents' financial security: adequate nutrition, quality child care, family unity, educational opportunity and the availability of health care are all linked to the extent of household resources. A review of the status of children in Los Angeles County indicates that:

- *Today, one in three children in Los Angeles lives below the poverty level.*[21]
- *Statewide, 1.6 million children are eligible for subsidized child care, yet only 250,000 children are currently receiving it.*[22]
- *Los Angeles County had the 9th highest average costs for child care in the state.*
- *In 1993-4, approximately half of the children who lived in LA Angeles County (1.3 million children) received at least some services from the various County programs.*
- *In 1993-4, families with children made up 20 percent of the total homeless population in the county.*
- *In December of 1996, the number of children in the Los Angeles foster care system exceeded 50,000*
- *The number of child abuse cases opened in 1994 (nearly 170,000) was up 57 percent from 1990 .*
- *In 1995, 12 percent of children state-wide were hungry and 37 percent were "food insecure" or at risk of hunger.*[23]
- *In 1990, an estimated 274,000 children (aged 0-17) in Los Angeles County were in need of mental health services.*

Potential Welfare Reform Impacts on Children

The fact that so many children in Los Angeles County are at risk justifies concerns about the future impact of welfare reform on this population. Key concerns include the effects of time limits and work requirements on family income and of food stamp cuts on child nutrition, as well as an increased (and perhaps impossible to meet) demand for child care assistance. The City of Los Angeles expects a number of additional human services impacts pertaining to children including increased needs for delinquency prevention programs, counseling and case management for families, youth and at-risk homeless youth programs; and assistance with finding housing. The list of potential direct and indirect impacts on children and families is extensive and includes the following:

Economic impacts - Families will encounter increased economic insecurity and risk of poverty; the Children's Defense Fund has estimated that 252,700 children in California will be impoverished as a result of welfare reform provisions. Nationally, one-fifth of all families with children will see their incomes fall by about $1,300 per year; two-parent working families with kids would lose an average of $1,540 a year and single parents with kids would lose an average of $1,160. In Los Angeles County:

- *Over 300,000 families receiving TANF will have their monthly benefits reduced 4.9 percent, an average annual loss of $348 for a family of three.*
- *Between 3,000 - 15,000 families could lose their monthly TANF benefits because of failure to meet paternity establishment requirements or because of a drug related felony.*

- *Over five years, net TANF case terminations could range from 325,000 to nearly 500,000 (or an average of 65,000 - 100,000 cases a year).*
- *In the Low Impact Scenario, nearly 75,000 TANF families will reach the five-year limit and be cut off from assistance in Year 6.*
- *Approximately 112,000 grandparent-headed families are at risk of losing assistance should they fail to meet work requirements or hit the five year limit, unless they are exempted from these provisions .*
- *If barred from TANF, up to 86,800 legal immigrant families could be cut off from assistance.*

Rising Neglect, Abuse, and Foster Care Placements - If welfare reform leads to decreased economic security for families, incidents of child abuse and neglect will increase along with foster care caseloads. These impacts would mean that:

- *If 5 percent of the 6,000 children in the county who must have their eligibility reviewed (300 children) lose benefits and require Department of Children and Family Services assistance, the cost to the County would exceed $4 million a year.*
- *Increased demand for child protective services will come just as certain key sources of funding are threatened by welfare reform.*
- *An additional 3,200 to 21,000 children a year could require foster care services over the next six years.*
- *Currently there are 20 percent more children being served in foster care than the system was designed to accommodate,[24] indicating that increased caseloads would not easily be absorbed.*
- *Foster care costs approximately 11 times what it costs to maintain a child in-home with TANF benefits.*
- *Increased foster care caseloads could be accompanied by an escalation of negative "side effects" currently tied to foster care placement such as post-emancipation homelessness, decreased health and mental health and decreased education achievement.*

Implications for Child Care - We can expect that the current dilemma presented by an insufficient number of child care slots in Los Angeles County, the share of family income needed to cover the costs of child care and the prevalence of low quality child care facilities will worsen once welfare-to-work requirements are fully implemented. The main concerns in this area are as follows:

- *The guarantee of child care under former family programs, so crucial to those transitioning from welfare to work, is now abolished.*
- *While block grant funding for child care programs has been slightly increased, it is already estimated to fall short of what will be needed.*
- *Recent studies have shown that child care costs on average consume from 35 - 50 percent of a full-time minimum-wage worker's earnings.*
- *Not only is there currently a shortage of affordable child care slots, but of those available, many of them are of low quality.*
- *Los Angeles County officials have estimated that as a result of welfare reform alone, an additional 31,000 child care spaces will be needed by the year 2001 - this is in addition to the existing shortage of child care slots for the children of working parents.*

D. HOUSING & HOMELESSNESS

Welfare reform and related measures will exert powerful economic pressures on many recipient households, and can therefore be expected to influence the housing status of those households as they seek to balance needs for food, clothing, medical care, transportation, child care, and other basic necessities against the cost of shelter. Our current assessment portrays a housing market in Los Angeles with a rapidly growing number of precariously housed households and an increasing pool of individuals at risk of homelessness. Recent trends indicate that:

- *In real terms, rents rose over 50 percent between 1980 and 1990.*
- *Housing prices, which had been equal to the national average in 1974, were 55 percent above that norm by the Mid-1980s.*[25]
- *Between 1980 and 1990, the percentage of precariously housed households in Los Angeles County rose from just over eight percent, or 224,320 households, to almost 10 percent, or 288,123 households.*
- *By the mid-1980s, an estimated 42,000 families were living in garages, many of which were unimproved and/or illegally converted.*
- *In 1996, an individual working full-time would need to earn $14/hour -- 295 percent of the minimum wage -- to afford a one-bedroom apartment at the fair market rent (FMR).*
- *A four-person household with a maximum AFDC grant of $707 in 1996, who should have been paying $212/month (30 percent of their grant) for an affordable unit, would have faced an FMR for a two-bedroom apartment equivalent to 121 percent of their total assistance payment (or $855).*
- *Almost 125,000 households are on preliminary registration and waiting lists for a County Housing Authority Section 8 subsidy; people who succeed in having their names added to the list wait an average of 2-5 years before receiving assistance.*
- *Almost 20,000 households are on waiting lists for one of the County Housing Authority's 2,891 public housing units.*
- *In 1995, the County estimated that 111,500 rent subsidies would be needed to meet the demand of low/moderate income households by the year 2000.*
- *All city housing authority waiting lists for assisted housing are currently closed.*

As a result of welfare reform and its impact on individual and family incomes, we can expect:

- *Public, nonprofit, and private housing providers to experience a major shortfall of revenues from rents as tenant ability to meet monthly rental payment obligations falls and the gap between payments and actual costs rises; housing quality may deteriorate as a result.*
- *The number of individuals who are "precariously housed" and in need of housing assistance, will increase dramatically.*
- *Residential crowding will surge and "doubling up" in order to make ends meet will become even more widespread.*
- *The subsidized housing sector can expect significantly increased costs of operation, and negative effects on its ability to provide safe and decent housing to tenants.*
- *An increase in eviction and tenant turn-over rates will occur in subsidized housing units.*

Given recent historical trends, it is unlikely that any additional housing resources will be forthcoming from the U.S. Department of Housing and Urban Development (HUD); the Department's FY95 budget, originally set at $25.4 billion, was ultimately reduced to $20.1 billion (a 21 percent cut) and the FY96 authorization was

reduced a further 5 percent. Moreover, mounting costs of contract renewal will claim a growing share of HUD resources.

Homelessness - The number of people apt to become homeless as a result of welfare reform will grow dramatically (Figure 14). Assuming that between a quarter and a half of those migrating to GR or losing part or all of their GR benefits become homeless at some point during the year, homeless numbers would jump. Under the Medium Impact scenario, homelessness would grow 26 to 52 percent; under the High Impact scenario, 40 to 80 percent. With an estimated 84,300 individuals being homeless on any given night, and a total of 236,400 homeless at some point during the year in 1993-94, it seems unlikely that the current system of shelters (with 11,000 total beds) will be able to accommodate such a surge in the number of individuals needing shelter services.

Individuals Experiencing An Episode Of Homelessness As A Result Of Welfare Reform

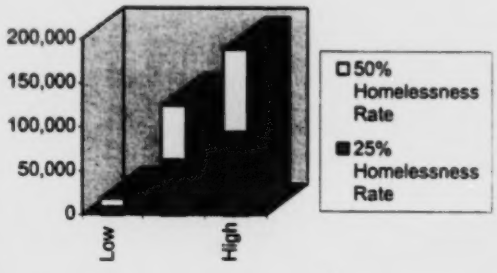

Figure 14

E. HUNGER

Hunger, and the health problems related to poor nutrition, are already serious problems for many poor people in Los Angeles. A complex system of public sector food programs has evolved to address these problems, but several recent developments have negatively impacted the region's ability to adequately meet the needs of poor and hungry individuals. Despite growth in the amount of emergency food distributed to individuals between 1970 and 1990, the availability of these food supplies began to fall dramatically after 1990 at the same time that the economic downturn led to an increased demand for food assistance.

- *In 1994, the Los Angeles Regional Food Bank delivered almost 34 million pounds of food to agencies that serve meals and distribute grocery packages; by 1995, despite aggressive donor solicitation, this figure had fallen to only 22.6 million pounds, and in 1996 only about 21 million pounds.*
- *The U.S. Department of Agriculture used to provide between 33-50 percent of food distributed to anti-hunger programs, but that share has fallen to 10-20 percent.*
- *Food donations from the for-profit food sector have diminished due to corporate restructuring to increase efficiency and minimize "waste."*
- *A new breed of downmarket food discounters now buys much of their merchandise from mainstream retailers eager to sell surplus food and increase profits rather than donate food as in the past.*

With the implementation of welfare reform provisions, demand for food assistance programs will inevitably rise dramatically, and the number of households standing in line for groceries and meals from charitable groups will grow longer even as their supplies dwindle. The large-scale loss of Food Stamp benefits as well as cash income for food, particularly among legal immigrants no longer eligible for aid, raises the spectre of spreading hunger and malnutrition in Los Angeles (Figure 15).

Loss Of Food Purchasing Power Due To Direct And Indirect Impacts Of Welfare Reform

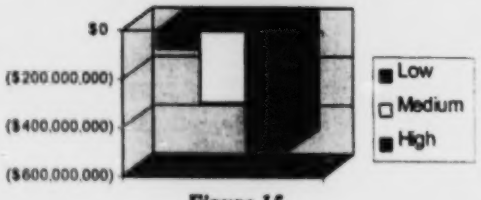

Figure 15

- *Our scenarios suggest that among legal immigrant populations losing SSI and Food Stamps alone, loss of funds that would normally have been targeted to annual food purchases could total as much as $185 million.*
- *Total loss of food purchasing power among recipients losing some or all of their welfare benefits range, depending on scenario, from $60 to $330 million a year.*
- *Our economic analysis suggests an additional loss of food purchasing power due to job losses linked to welfare reform of between $16 and $165 million per year.*
- *Altogether, direct benefits losses and job-loss related reductions in employee compensation targeted to food total between $76 and $495 million per year.*

F. Criminal Justice

The dynamics of crime and incarceration rates are complex, but crime is positively linked to a lack of access to opportunities -- especially those provided by employment, income, and education.[26] During spells of unemployment, criminal motivation increases due to heightened stress and alienation, and the lack of ability to participate in legitimate economic activities. Unemployment and poverty often lead individuals to cast doubt on their ability to obtain regular work, and stimulate criminal behavior. In addition, those who are unemployed have the time to pursue illegal endeavors.[27] Other factors besides unemployment affect the propensity toward illegal or violent activity, including income inequality. In general terms, certain types of crime become more prevalent as individuals adopt an increasingly inappropriate approach to eliminating the wage gap, and lash out at a system over which they feel a lack of control and an inability to influence their relative economic or social position.[28]

If, as projected under even low impact assumptions, significant numbers of people become poorer as a result of welfare reform provisions, and social polarization intensifies, such findings from criminological research suggest that:

- *Levels of crime, violence, and ultimately incarceration in the region may rise*
- *Increases in petty criminal activity (shoplifting, pilferage, etc.) are to be expected as hunger and deprivation spread.*
- *A range of behaviors characteristic of literally homeless people, which have become increasingly criminalized (such as trespassing, sleeping in public space, and begging) will become more common.*

G. Neighborhood Effects

The existing geographies of poverty and welfare in Los Angeles insure that the both direct and indirect impacts of welfare reform will be felt unevenly across the county's landscape (Figure 16). Because a disproportionate share of poor and welfare-reliant households live in communities located within the central subregion of the county,[29] even under the low impact scenario:

- *Central area communities will be disproportionately impacted by changes in welfare eligibility and benefit levels.*
- *Central area business districts may deteriorate as retail businesses, consumer service outlets, and entertainment facilities economize on maintenance, transition to more down-scale operations, or close completely.*
- *Because so much welfare income goes to pay the rent, benefit withdrawal may dramatically reduce rent revenue streams, resulting in residential abandonment.*

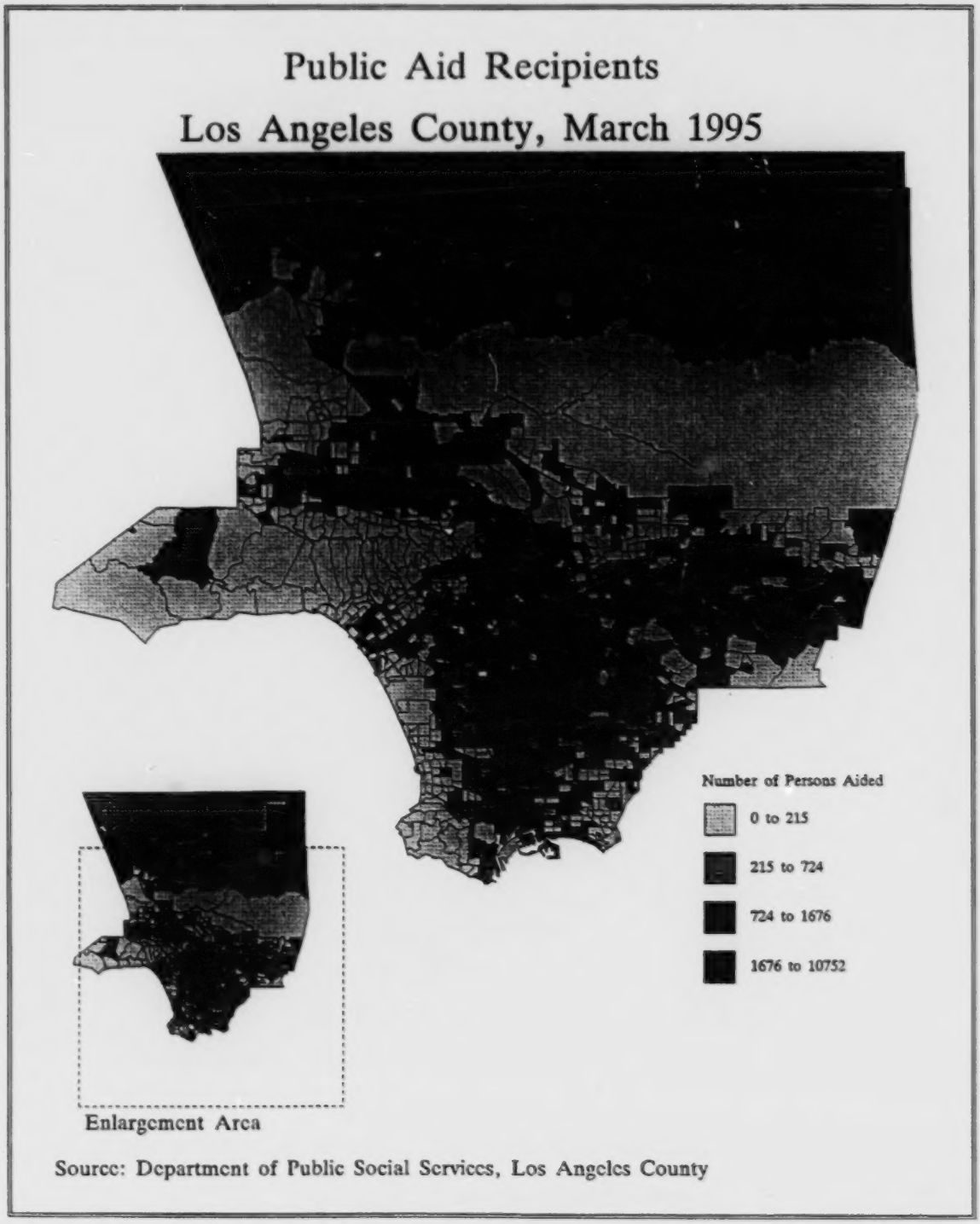

Figure 16

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Our economic analysis also suggests that, despite the concentration of certain direct and indirect effects in areas with the largest numbers of affected aid recipients, conditions for a wide range of industrial sectors and occupational groups -- including many medium and high-wage occupations -- will be influenced by welfare reform as jobs are lost throughout the economy due to inter-industry linkages. Services in many communities will also suffer, as the loss of purchasing power is translated into reductions in sales tax revenues for cities. This dispersion of socioeconomic impacts will translate into:

- *Downward mobility for many people and businesses with no direct link to welfare.*
- *Slowed growth and deterioration of public services in Middle class to affluent communities typically seen as far removed from "inner city" problems .*

Thus, it is critical to recognize that although changes in welfare programs and benefits are of vital concern to past, present and future public assistance recipients and their local communities, a much broader public holds a crucial stake in the ultimate outcomes of welfare reform.

4. Local Responses to Welfare Reform

Under a variety of plausible scenarios, welfare reform may have profound implications for many Los Angeles residents and communities. Our study addresses the capacity of two key local sectors to respond to the demands for assistance that will arise: the voluntary nonprofit sector, and the County of Los Angeles – which, unlike cities, is legally mandated to protect the health and welfare of residents.

A. The Capacities Of The Non-Profit Sector

Welfare reform will reduce caseloads without necessarily mitigating high levels of need for welfare and social services across Los Angeles. Over time, the need for cash and in-kind assistance will grow, but the nonprofit sector will have insufficient capacities to meet burgeoning needs -- it may even be overwhelmed by demands for help.

- *Welfare reform will shift anti-poverty resources away from cash assistance paid to families, to cover their subsistence needs, towards service providers with far more diverse clients and program goals.*
- *Loss of public funding from Title XX Social Service block grants and other government sources may weaken the sector since it relies heavily on government grants, contracts, and fee-for-service income.*
- *Among Los Angeles social welfare nonprofits, an estimated two-thirds of revenues were derived from government fees and grants.*[30]
- *Private philanthropic revenues are not targeted to the most needy sector; almost 70 percent of Los Angeles household donations went to religious groups, while foundation giving is largely targeted to education.*
- *Charitable dollars are inadequate and declining; donations to Southern California United Way fell 36 percent from 1985 to 1994.*[31]
- *Service delivery will become more entrepreneurial and retarget services to clients with greater ability to pay; low-income clients stand to lose out.*
- *Compared to other metropolitan areas, the nonprofit sector in L.A. is underdeveloped; it is also geographically uneven, and thus some areas of Los Angeles (especially central area communities with lower levels of nonprofit service) will be worse hit than other parts of the county.*

In sum, welfare reform and devolution of responsibility of social service provision to the local level unfolds in a context of nonprofit reliance on government funding, inadequacy and bias in the giving of foundations and households away from social services, and of spatial inequity in nonprofit service provision. The implementation of TANF time-limits will inject some funds into the nonprofit sector because some savings from caseload reductions are mandated to go to local child care and training programs. Non-profits may respond, as they have in the past to public revenue reductions, by increasingly charging fees for services, shifting goals and targeted client groups, and refraining from challenging the status quo. But it is clear that the voluntary sector does not have the capacity to re-knit the social safety net.

B. The County of Los Angeles

Federal welfare reform and its attendant devolution of both funding and responsibility for welfare to states and localities, may more heavily impact the County than any other unit of local government. Residents facing public assistance benefit loss or reduction will have little choice but to turn to programs such as GR for support, and to seek health care services at County hospitals and clinics. Los Angeles County will face mounting welfare-related cost burdens for several reasons:

- *Large numbers of legal immigrants will lose a variety of benefits.*
- *The lagging economy is unable to absorb the many TANF recipients expected to make a transition from welfare to work.*
- *Medi-Cal reimbursement funding associated with provisions affecting Medi-Cal eligibility for future legal immigrants will be withdrawn.*
- *Fiscal weakness, linked to the overall economy, legal restrictions on spending and revenue generation, and a political climate unfavorable to tax increases (particularly for welfare purposes), will curb attempts to raise additional revenues.*

These factors together could translate into serious budget woes for the County. Depending on scenario, our estimates indicate that in the first year:

- *County GR costs may grow between $9.3 and $27.9 million from current expenditures of approximately $235 million per year.*
- *Almost $28 million in additional costs for pre-natal care will accrue for undocumented women no longer covered by Medi-Cal.*
- *From $19 to nearly $332 million in Medi-Cal reimbursements (not including Disproportionate Share Funds) for future legal immigrants, current legal immigrants (state option) and disabled children losing SSI and Medi-Cal benefits will be lost.*
- *Between $3 - $15.5 million in extra locally-borne Foster Care costs could arise from TANF time limits.*

Potential County Responses

Los Angeles County already faces a fiscal crisis. County health services remain on the edge of collapse; despite receiving a bail out by the Clinton Administration, the projected Department of Health Services deficit stands at $114 million. Jails are seriously overcrowded, and funding for the proposed Twin Towers facility remains in doubt. The County faces the prospect of an appellate court ruling which could require it to repay GR recipients a total of $150 million in benefit cuts. Together with other budget demands, the total budget deficit projected in March of 1997 for FY97-98 was $460 million.[32]

In this context, the most likely County response will be to either reduce their obligations to the poor, or maintain their fiscal effort at existing levels. This could be accomplished via three different strategies:

- *Promoting a state take-over of GR* - Such a state take-over would, presumably, hold the County's level of financial responsibility to a specified level; the state would assume costs over and above this level, should GR caseload increases rise beyond what the County contribution can fund.
- *Reducing costs of welfare-related functions* - Such a strategy could be pursued by substituting workfare workers for County employees; eliminating/deskilling certain groups of welfare department workers via automation of eligibility functions; and/or further privatization of welfare-related activities; and/or
- *Restricting access to GR* - Primary strategies in this case would be implementing the three-month limit on employable recipients; reduction and/or selective elimination of benefits; and bureaucratic disentitlement to increase termination rates and lower costs.[33] As client groups, such as disabled legal immigrants losing SSI or mothers with small children terminated from TANF, turn to GR for support, GR's traditional clients -- single men and women -- are most apt to be cut off from aid.

It is important to recognize that, barring a state take-over of General Relief under circumstances highly favorable to Los Angeles County, almost any conceivable County response to welfare reform will result in a lowered quality of life for all Los Angeles County residents. Budget reallocations would limit the quality and/or quantity of a wide array of essential County services already suffering from long-term disinvestment. Further privatization would entail eliminating modestly paid public sector workers with health care benefits in favor of lower-wage employees apt to enjoy fewer benefits or job protections. If the County deploys cost-cutting, bureaucratic or other tactics to limit its welfare burdens, then poverty, neighborhood decay, and homelessness will increase in many local communities.

5. Recommendations

A sweeping revision of the nation's social contract now threatens to undermine the human fabric and economic future of the Los Angeles region. Hundreds of thousands of area residents and scores of businesses will be directly harmed by reform provisions. Many others will feel effects indirectly as jobs are lost, competition for work grows, communities deteriorate, and public services become more congested. And few of those left unscathed can expect to feel happy or secure as they watch the numbers of poor and homeless people -- especially families and children -- steadily grow.

Given the potential for significant negative impacts, virtually all segments of the community have major stakes in the outcomes of welfare reform. The County will be hard pressed to provide essential services while meeting its legal mandate to protect the health and welfare of its residents, especially as indirect costs of health and mental health care, child welfare, and criminal justice services mount. The private sector is under increasing political pressure to create jobs for welfare recipients, even though in the aggregate, employment growth will be dampened. Voluntary groups are being asked to do more, just as resources dwindle for many and need for assistance expand. Cities already engulfed in conflict over how to handle social problems such as homelessness are likely to see more poor people in their shelters, emergency services agencies, and streets. Many communities will deteriorate as benefit dollars and associated jobs disappear; especially hard hit will be those neighborhoods in the traditionally neglected central areas of the county, at a time when their long-standing social and economic problems could scarcely be more

severe. And large numbers of people, most already poor, will fall deeper into poverty, despite their willingness and ability to work.

What can, and should, be done to address the implications of welfare reform in Los Angeles County?

In light of the widespread impacts of welfare reform, extending beyond welfare recipients to the larger community, a collective local response focused on strategic partnerships among affected groups is critical to offset those negative effects of welfare reform measures likely to arise in the short-term. Such a response should, first and foremost, be designed to minimize the hardship, suffering, and dislocation experienced by those who are either terminated from public assistance or forced to cope with radically reduced levels of aid. **Locally organized and funded responses deserving careful consideration include:**

1. ***Public education campaigns*** - Public education efforts should be expanded to insure that those at risk of program termination are aware of their rights and how best to preserve their benefits. Such education strategies could also help those in need of public assistance understand how to access new programs, and enable those with the ability to provide assistance (through charitable donations, volunteerism, or community activism) to grasp the implications of welfare reform, why their contributions and involvement matter, and where they can best be of service.

2. ***Coordinated collection of information about service availability and needs for assistance*** - Devolution will make the documentation of needs and client tracking much more difficult. Systematic collection of information about the needs of the poor is vital if government agencies and voluntary nonprofit groups are to maximize the effectiveness of scarce aid resources, coordinate assistance efforts, document unmet needs, and provide services in the most efficient, rational manner. Such systems will also allow the full effects of reform to be solidly documented.

3. ***County-wide fair-share plan*** - The distribution of service resources in the county is uneven, so that many communities are either service-rich or service-poor relative to their levels of need. Since the entire county has a stake in minimizing deleterious impacts of welfare reform, a county-wide fair-share policy would insure that all communities take an equitable portion of the burden of assisting people in need. Such a policy would encourage the provision of emergency and ongoing aid to families and individuals without adequate means of support, and discourage restrictive zoning ordinances or not-in-my-backyard campaigns designed to block the siting of nonprofit service facilities and affordable housing.

4. ***Collaborative partnerships to maximize welfare-related funding*** - Partnerships formed among welfare recipients, labor, business, government, nonprofit and community should develop collaborative strategies to insure that state and local options be chosen which secure the maximum state and federal funding for welfare-related purposes, and prevent state diversion of TANF and other welfare dollars to non-welfare uses. Such partnerships should also serve to disseminate best-practice models for agencies, organizations, firms and local governments involved in coping with welfare reform, e.g., facilitating welfare-to-work transitions, establishing job or apprenticeship programs for welfare recipients, setting up child care cooperatives, etc.

It is important, however, to recognize that marginal, locally-funded changes to the newly refashioned welfare system are unlikely to satisfactorily serve the needs of poor people or communities. **State-level and national initiatives that we recommend include:**

5. ***Rethinking welfare reform*** - Despite a crucial need for reform in the nation's 60-year old welfare system, *the set of measures now before us are deeply problematic*. In particular, the elimination of key entitlements to poor families, and denial of vital assistance to legal immigrants, threaten the well-being of large numbers of people. The purpose of reopening the discussion on welfare is not to resuscitate old programs. Rather, the goal is to develop humane and effective strategies to protect our most vulnerable residents, and provide opportunities for work sufficient for the large numbers of people seeking jobs at a living wage.

6. ***Creating work*** - Work is one of the most deeply valorized activities in our society, and the vast majority of people -- recipients and non-recipients alike -- agree that work is preferable to welfare. But removal of welfare in a labor market where job seekers vastly outnumber employment opportunities is not a sensible welfare-to-work strategy. Nor is denial of aid where available jobs are so inadequate in pay or benefits as to put children and those responsible for them at risk of preventable illness, hunger, or homelessness. So long as the national economy is managed with the stated purpose and effect of producing an unemployment rate of between five and six percent, there will necessarily be several hundred thousand people unable to find work in southern California. Rational social welfare policy should recognize that ignoring these facts, or blaming those who find themselves unable to find work, will not create the "work" in "welfare-to-work" programs. Contradictions between the goals of national economic and welfare policy must be more satisfactorily resolved, and job development must therefore become a top -- perhaps *the* top -- priority. Job growth is unlikely to occur through conventional economic development schemes, or voluntary business pledges to hire welfare recipients. Rather, welfare programs must be fundamentally recast as both an employment assistance *and* employment creation effort. The private sector will not be able to do this alone, particularly in regions like Los Angeles still awaiting full economic recovery. Instead, the public sector, especially the state, must assume a far larger role in providing opportunities for productive activities within the public sector, which simultaneously generate work experience, training, and a living wage, and also produce concrete public benefits such as new or improved public facilities, needed community services, or enhanced environmental quality.

7. ***Protecting individuals and families*** - The withdrawal of public assistance resources under welfare reform should be mitigated by the establishment of a state-wide safety-net program designed to protect the large numbers of vulnerable people at risk of losing federal benefits, particularly families and children, persons with disabilities, and the elderly. As the state's economy and fiscal health steadily improves, resources for such a program will be more abundant. And given the public sector costs of poverty which accrue over time (for public health care, criminal justice, child welfare, housing assistance, and so on), a state safety-net makes good sense from a taxpayer perspective.

8. ***Reinvesting in children*** - The numbers of currently poor and at-risk children are staggering, and may grow much larger under welfare reform. A far more child-centered approach to welfare, that recognizes the important linkages between family well-being and child welfare, is needed to protect children and provide them with the nurturing and support they require to grow into engaged and productive citizens. Not only must ongoing, successful programs for children be fully funded, but the steady erosion of a wide range of children's services -- from protective services to after-school educational enrichment programs, to summer recreation and jobs opportunities -- must be reversed.

9. ***Supporting communities*** - Many communities stand to lose under welfare reform, as the impacts of multiple program changes coalesce and become localized in specific places. A substantial share of

impacted communities will be those already hurt by loss of traditional manufacturing and defense-related jobs, reductions in community development and urban service funding, and the falling value of key public assistance program benefits. The status of communities should be carefully monitored as welfare reform unfolds. Additional support should also be channeled to community-based initiatives designed to remedy the long term effects of community disinvestment by both private and public sectors, and any neighborhood deterioration linked to withdrawal of public assistance income streams.

10. ***Redefining notions of citizenship*** - New conceptions of citizenship are required, that recognize the many and varied contributions of immigrants (through paid employment, caring for families, and contributing to communities); the profound internationalization of both the economy and society; and the attendant shifts in relations between nation-states and civil societies at the end of the 20th century. Such a redefinition should lead to more inclusive welfare policies, eligibility for which does not depend on immigration status.

11. ***Promoting social equity*** - The growing gap between rich and poor should be addressed by renewing our historic commitment to social equity, through provision of greater access to education and training throughout the life course, routing out job discrimination, and reasserting rights to fair wages and working conditions. The development of cooperative regional industrial strategies aimed at creating good jobs and sustainable communities rather than winning the "race to the bottom" among competitors in the global economy, is a fundamental ingredient for the redress of deepening social inequity.

The people and communities of Los Angeles County can, and should, address the immediate and long-term impacts of welfare reform. Through its practices, the county can pave the way toward a multiethnic, transnational, and increasingly autonomous urban region that is at once caring and cooperative, dynamic and productive. But we must at once concede that even the most generous and well-coordinated set of local initiatives cannot fully redress the potential negative impacts of welfare reform in Los Angeles. Who can help? While federal welfare reforms are unlikely to be abandoned or significantly altered in the near future, the federal government should be pressed hard to revisit the design of our nation's social contract, especially the questions of family entitlements, and the eligibility of legal immigrants. In the meantime, the State of California has major responsibilities for population well-being, and retains substantial flexibility in the design of new programs and the allocation of public resources for welfare-related purposes. The State is therefore a vital partner in confronting the local challenges posed by welfare reform in Los Angeles County. But thoughtful and effective programs and policies to help people escape from poverty and reliance upon public assistance cost money. The public – across the state and nation as well as in Los Angeles – must grasp how much is at stake in welfare reform, and together embrace the financial commitment to support employment, child care, health and other programs designed to assist poor people and protect community well-being.

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1 U.S. Bureau of the Census. 1996. Poverty in the United States, 1995. Current Population Survey, Series P60, No. 194. Washington D.C.: Government Printing Office.

2 The TANF program limits eligibility to five years in a lifetime, and requires recipients to be "engaged in work activities" after two years of aid. In addition H.R. 3734 sets out a series of state mandates requiring that specific proportions of the TANF caseload work. By 1997, 25 percent of adults in Family Group cases must be engaged in work activities and this percentage increases to 50 percent by 2002; work requirements are steeper for Unemployed Parent cases, with 75 percent of these cases required to work at least 35 hours a week by 1997 and 90 percent required to work by 2002 in order for the state to avoid penalties. At any one time, 20 percent of the caseload can be waived from work requirements.

3 These assumptions are: 20 percent of the current AFDC caseload is allowed to enter the waiver pool; no assumptions are made about a state-funded safety net program; 50 percent of those cases terminated from TANF are assumed to migrate to the General Relief program; 15% of children in terminated TANF families are assumed to go to foster care; a small share of cases (1 percent in the low impact scenario, and 5 percent in the other two cases) are terminated due to failure to comply with various regulations (e.g., paternity establishment, substance abuse, and so on), and are ineligible to resume aid; terminated families are assumed to receive an increase in Food Stamp benefits; GAIN program expansions are essentially neutral in terms of their economic effect; and Maintenance of Effort requirements limit the amount of funds flowing out of the economy.
4 Los Angeles County Department of Social Services. 9/96. "Statistical Report." GR Approved Caseload - By District.
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6 Los Angeles County. 11/14/96. "Ten Major Impacts of Welfare Reform in Los Angeles County."
7 Los Angeles County. 8/96. Legal Immigrants on Aid and Welfare Reform.
8 Los Angeles County, Ibid.
9 This number is consistent with a Department of Health estimate that 44,000 legal immigrants arriving in California will be denied Medi-Cal each year.
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14 The California Economic Development Department estimates that on average there were 368,000 officially unemployed job seekers in 1996, in addition to 127,400 discouraged workers and 99,300 involuntary part-time workers competing for available job slots.
15 Don Lee, "State's Job Growth for '96 Rosier than Thought," Los Angeles Times, March 1, 1997. D1, 2.
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31 Institute for Nonprofit Organization Management, op cit., pp 85-86.
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Section 1: Introduction and Overview

A. Introduction

Major welfare reform legislation embodies the federal government's latest retrenchment from the field of public welfare and clears the way for states and localities to follow suit. As in the past, state and local governments will have the option to step forward and mend newly opened holes in the federal safety net, or withdraw and leave those in need of assistance to turn to an already overburdened county system of social services. Welfare reform has stimulated a flurry of research activity among various public, private and non-profit entities all anxious to gauge the likely impacts of this legislation. Research efforts will not only prepare states and counties for the range of consequences arising from federal legislation but also provide invaluable guidance for future legislative action at the state and local levels.

This report contributes to this process of remaking the welfare system, by providing a comprehensive overview of the potential impacts of welfare reform measures as they may be played out in Los Angeles County.

B. Organization of the Analysis

The report is divided into four primary sections. Section 2 sets out the *context for welfare reform* in Los Angeles, paying particular attention to the impacts of industrial restructuring, demographic change, and shifts in welfare program funding and eligibility on poverty and public assistance needs in the county. We document the increase in poverty rates and profile the characteristics of county residents living in poverty. We then sketch the recent history of welfare programs and their respective caseload dynamics, showing the growth of key programs particularly as a result of the deep recession of the early 1990s.

Next, in Section 3, we detail the major *components of welfare reform measures*, as they affect federal entitlement programs (Aid to Families with Dependent Children Program, Supplemental Security Income, Medi-Cal, Food Stamps), and the locally-funded General Relief program. This section also lays out three alternative scenarios (Low, Medium and High Impact scenarios) based on a range of assumptions about how federal legislative changes and various state and local options for program redesign may unfold in Los Angeles County. For each scenario, we estimate the *direct impacts of welfare reform* on individuals, the local economy, and the County budget, based on best available program and caseload data.

Section 4 moves on to a consideration of the *indirect impacts of welfare reform* on various aspects of life in Los Angeles. Specifically, we treat: the implications of welfare reform for the *local economy*, estimating direct, indirect and induced economic impacts based on analysis of the county's inter-industry economic

structure and multiplier relationships; ramifications of welfare reforms for *health and mental health status* of county residents, especially the medically uninsured; what changes to entitlement programs for families mean for *child and family welfare*, including foster care placement rates and the extent of abuse/neglect; implications of reform measures for residents of subsidized *housing*, the extent of housing problems in the region, and the spread of *homelessness*. Also briefly considered are the potential for increased *hunger* and nutritional deficits, escalating *crime rates*, and the differential distribution of welfare reform impacts across the county's *neighborhoods and communities*.

Last, in Section 5, to an assessment of *local capacities to respond* to fundamental changes in welfare programs and their meaning for levels of social needs. In particular, we evaluate the ability of the *nonprofit sector* to respond to government funding reductions and rising rates of demand for assistance across a variety of client types. The question of *local public sector* response is also raised, especially with regard to the County of Los Angeles which is legally mandated to protect the health and welfare of its residents.

C. Overview of Welfare Reform

The most sweeping reform legislation is H.R. 3734, the Personal Responsibility and Work Opportunities Act of 1996. One of the most significant aspects of the bill is its immediate repeal of the entitlement to Aid to Families with Dependent Children (AFDC) for all eligible families. In addition to the federal retrenchments, states have several options under H.R. 3734 to further limit public assistance programs. The most significant changes are sketched out below.

AFDC

H.R. 3734 effectively cancels all former federal requirements for AFDC, the Job Opportunities and Basic Skills (JOBS) program, and the Emergency Assistance program and replaces them with the Temporary Assistance for Needy Families (TANF) program. Federal funding for these programs is consolidated into one TANF block grant. Recipients can receive cash assistance for a maximum of five years over a lifetime (with limited exceptions for no more than 20 percent of the caseload). TANF prohibits the use of federal funds for minor parents under eighteen who are not participating in school/specified educational activities or living in an adult-supervised setting. States are also required to reduce a family's grant by 25 percent if they fail to cooperate (without good cause) with efforts to establish paternity.

Work participation requirements will oblige states to move an increasing percentage of welfare recipients into the work force over the next six years. First, states must ensure that adult welfare recipients participate in work or work-related activities after receiving two years (cumulative) of benefits. For the single-parent family caseload, 25 percent must be participating in 1997 and this percentage must increase to 50 percent by 2002. Required work participation rates are higher for two-parent families receiving

assistance of whom 75 percent must be participating by 1997. This percentage must increase to 90 percent by 1999. States are required to reduce grant amounts for recipients refusing to participate in work activities. These welfare-to-work requirements will be enforced through funding cuts to states which fail to comply.

There are also a number of options available to states to further limit assistance to families. Under TANF, states may eliminate cash aid for families entirely, or provide any mix of cash and in-kind benefits they choose. States can also deny aid to all teen parents or other groups; deny aid to children born to parents receiving aid; deny aid to legal immigrants; or establish shorter time limits for receipt of aid. States can provide newcomers with benefits at the level they would have received in their former state for up to twelve months. Regarding work requirements, states have the option to exempt for twelve months parents with a child under age one. The state may also choose to deny cash assistance for life to persons convicted of a drug-related felony after the date of enactment of H.R. 3734 (pregnant women and individuals participating satisfactorily in rehabilitation programs are exempted).

Medicaid

Under H.R. 3734, the funding structure of the Medicaid program, Medi-Cal in California, remains the same and eligibility for low-income families is protected. Those families which met the AFDC eligibility requirements effective on 7/16/96 will still be eligible for Medi-Cal. However, TANF-eligible families are no longer automatically eligible for Medi-Cal benefits, due to the elimination of the categorical link, and thus there is no guarantee they will receive them. States also have the option to terminate all legal immigrants from Medicaid but must continue to provide benefits to veterans, military personnel, refugees, political asylum cases, and those with a ten-year work history in the United States. Immigrants arriving after 8/22/96 will be barred from Medi-Cal, and other federally means-tested programs, for five years after arrival. Even after five years, many legal immigrants will be disqualified through the deeming of sponsors' income to immigrants' income, moving most non-naturalized persons out of eligible income levels. Veterans, military personnel, refugees, political asylum cases and those with a ten-year work history will also be exempted from the five year ban. Those individuals not eligible for Medi-Cal will be forced to use already overburdened County public hospital and clinic systems and/or the community clinic system for non-emergency health care. Emergency treatment will still be covered by the Medi-Cal program.

SSI

H.R. 3734 provisions regarding the Supplemental Security Income (SSI) program impact children by narrowing the definition of disability that will make them eligible for assistance. Moreover, according to changes in disability definitions included in Public Law 104-121, passed in March 1996, SSI recipients whose primary disability is alcohol and/or substance abuse are no longer eligible for benefits (as of January 1, 1997). Current SSI cases will have to be re-determined and recipients will lose benefits if no

longer eligible beginning July 1, 1997. An additional provision aims to cut off SSI payments to recipients incarcerated for more than thirty days. Under SSI reform, most non-citizens (excepting veterans, military, refugees and asylum cases, and legal immigrants with a ten-year work history) will no longer be eligible for benefits. Legal immigrants must have their cases re-evaluated by August 22, 1997 and will lose benefits a month later if found ineligible. Lastly, SSI and In-Home Support Services (IHSS), a program designed to support disabled people in their homes and thus prevent premature and costly institutionalization, have historically been linked by state legislation; any SSI recipient was automatically eligible for IHSS. Unless SSI and IHSS are de-coupled, legal immigrants will also be bared from receiving IHSS under welfare reform.

Food Stamps

H.R. 3734 will reduce Food Stamp benefits in a number of ways. First, the formula for calculating a family's eligibility is tightened by including a cap on the deduction for housing costs at 50 percent of income. Hence, households paying more than 50 percent of their income on rent will not receive a concomitant indexing of their Food Stamps. Current recipients will have to be re-certified according to this new formula. In addition, the Food Stamp maximum benefit level will be reduced by 3 percent across the board and childless able-bodied individuals will be limited to receiving Food Stamp benefits for only three months within every three year period, unless they are working or in training for the number of hours per week required to "repay" their benefit at minimum wage. Lastly, with the same exceptions mentioned in connection with the SSI program, legal immigrants will lose access to Food Stamps by August 22, 1997.

General Assistance

Recent changes (SB 681) in California law that become effective January 1, 1997, allow counties to reduce GA grant levels to 40 percent of the 1991 federal poverty level. Access to the program may also be restricted. A major change provides counties with the right to limit aid for GA recipients who are deemed "employable" to three non-consecutive months per year, as long as job training or placement is offered. State law also allows counties to terminate recipients with substance abuse problems who refuse treatment offered by the County. Lastly, the state provisions permit the GA cash grant to be replaced with in-kind transfers (such as food, medical care, or housing), a voucher payment, or a third party check to service providers.

Prior to changes in the state law, the Los Angeles County Board of Supervisors tried to replace $40 of the monthly GA benefit (known as General Relief or GR in this county) with an in-kind medical insurance benefit; this was ruled illegal. With changes in state provisions, however, the County has been allowed to reduce maximum benefit levels to $212/month but has thus far elected not take advantage of the provision to restrict program access to three months per year, or to deduct an additional $40/month for in-kind medical benefits (which would reduce the cash grant to $172). It remains free to do so in the future.

Other H.R. 3734 Provisions

Child Care - The new legislation consolidates the current Title IV-A child care programs (AFDC/JOBS Child Care, At-Risk Child Care and Transitional Child Care) under the existing Child Care and Development Block Grant. It also effectively eliminates the guarantee of child care for welfare recipients trying to move into the work force and abolishes the At Risk Child Care program. However, it does increase the amount of child care funding available through a new child care block grant. The California State Legislative Analyst's Office has estimated that this will mean an increase of 24 percent, or $55 million, in funding for FY 1996-7 and $525 million over six years for the state.[1] Also included in the block grant is additional child care funding in a capped entitlement which states can obtain through a matching formula.

Child Support Enforcement - Several provisions aim to bolster current child support enforcement efforts both within and between states. The $50 pass through, which in the past has served as an incentive for custodial parents to cooperate with child support enforcement efforts, is eliminated but former welfare families will be given priority over the state in receiving collected child support arrearages.

Child Nutrition - Several provisions affecting food programs will mean decreased funding and meals for children. The new legislation will change the reimbursement structure in the family day care home category of the Child Care Food Program which will result in decreased funding for meals served in these homes and it eliminates the option to serve an addition meal or snack to children in day care centers longer than eight hours a day. Furthermore, the Summer Food Program reimbursements are cut and other meal services scaled back. Start-up and expansion funding for the School Breakfast Program is also eliminated. Lastly, the state has the option to deny all federal food assistance to undocumented immigrants with the exception of school lunches and breakfasts.

Transfers of TANF Funding - H.R. 3734 allows for states to transfer up to 30 percent of its TANF block grant to Child Care and Development Block Grant and Title XX Social Services Block Grant programs so long as no more than a third is transferred to the latter. The only requirement is that the transferred funding be used exclusively for programs assisting children and families who are below 200 percent of the poverty level. However, at the same time, funding for the Title XX Social Services Block Grant was cut 15 percent.

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[1] California Legislative Analyst's Office. 8/20/96. "Federal Welfare Reform (HR 3734): Fiscal Effect on California."

D. KEY CONCERNS FOR LOS ANGELES COUNTY

With approximately 35 percent of California's AFDC caseload[2] and nearly 40 percent of its legal immigrant population,[3] Los Angeles County stands to suffer considerably more than other counties from the impacts of welfare reform. Among the major issues of concern to Los Angeles County are the following.

10 Major Concerns for Los Angeles County

1. Reductions and/or elimination of TANF, GR, and SSI payments to county residents may lead to decreased personal income and thus rising rates of poverty and homelessness.

2. Reductions and/or loss of Food Stamp benefits could result in hunger and nutritional deficits among a growing number of children and adults.

3. Loss of Medi-Cal coverage may result in deteriorating physical and mental health status among county residents, which could in turn increase public health problems, and County costs associated with emergency medical treatment and health care provision to the medically uninsured.

4. Individuals who lose TANF and GR benefits may not be absorbed by the economy due to: Insufficient funding for job training/placement, child care and transportation programs; an insufficient number of jobs; and a spatial mismatch between the location of jobs available and distribution of aid recipients in Los Angeles communities.

5. The local economy may suffer, as the direct and indirect effects of benefit reductions cause job loss, and damage business revenues

6. Local prospects for community economic development may be undermined, neighborhood economies threatened, and residential properties abandoned, as benefit reductions and withdrawals translate into drops in consumer spending, and declining ability to pay rents among many households.

7. Decreasing economic security among impacted families may affect all aspects of child welfare, and could increase rates of child abuse and neglect, and foster care placement.

8. Increased rates of poverty may lead to increasing crime rates and burdens on the criminal justice system.

9. The nonprofit sector may be unable to fill the gaps in services formerly provided by government due to overwhelming caseload increases, and declining government funding as federal block grant funds are scaled back.

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2 Los Angeles County Department of Social Services. *Los Angeles County: Share of State Welfare Programs.*

3 Myers, Dowell. 1996. "Immigration," in Michael Dear (ed.) *Atlas of Southern California.* Los Angeles: Southern California Studies Center, University of Southern California.

Ten Major Concerns for Los Angeles County (continued)

10. Los Angeles County, as well as cities, will face escalating costs associated with any increase in indigence, poor health, homelessness, and other social problems associated with welfare reform; assuming a limited ability on the part of local government to raise additional tax revenue, such demands would necessarily divert resources from other worthwhile public purposes, affecting the quality of life for many.

Section 2: Poverty & Welfare in Los Angeles: The Current Picture

A. The Social and Economic Contexts of Welfare Reform

Economic Restructuring and Recession

The population and economy of the Los Angeles region have undergone major changes over the past 15 years. Economic restructuring led to the emergence of the service sector as the dominant element of the regional economy, and to a dramatic loss of traditional manufacturing jobs. Los Angeles County was home to half of all the state's manufacturing jobs in 1970, but its share had slipped to 36 percent by 1995. While high-technology continued to power much of the region's manufacturing growth during the 1970s and 1980s, the end of the Cold War triggered reductions in federal defense spending that in turn stimulated radical downsizing in many area defense-dependent firms and the loss of thousands of jobs. Large-scale international immigration, especially from Asia and Latin America, led to dramatic alterations in the composition of the population in terms of age, race/ethnicity, education and skills mix, and underpinned the growth of craft sectors such as garment manufacturing as well as consumer services.

Then, during the 1990s, a recession more severe than the region had experienced since the 1930s -- and lasting more than twice as long as any other recession since -- arrived in Southern California. Again, Los Angeles County was devastated: of the state's 1990-93 job loss, 92 percent was the net result of layoffs in Los Angeles County.

The economic stagnation that characterized the first half of the 1990s displaced large numbers of workers from regular employment, and forced others to work either part-time or at low/minimum wage. By 1993, over 430,000 labor force participants were unemployed in Los Angeles County, at the same time that an increasing share of workers were becoming discouraged and simply dropping out of the labor force

altogether.[1] Despite the recent economic upturn at both state and regional levels, most new jobs created have been low-wage service positions; the decline of manufacturing employment has continued unabated; and the number of job seekers far exceeds the number of job vacancies.[2]

Retrenchment in Public Assistance Since the Eighties[3]

Many of these economic and labor market changes led to increases in poverty and reliance on public assistance income. During this same period, however, public welfare programs were transformed, with major benefit reductions and program eligibility restrictions coming into effect. The first major changes affecting AFDC, SSI, food and health programs occurred in the early 1980's, in the wake of the 1981 Omnibus Reconciliation Act (OBRA). Under the guise of the "New Federalism" and the promise of greater flexibility at the state level, the federal government began a series of retrenchments and cutbacks.

Within the AFDC program, eligibility criteria were tightened and work incentives were eliminated resulting in an immediate decline in the number of eligible recipients. A mandated review of SSI recipients resulted in nearly half a million losing benefits. Block grants with reduced funding replaced various health and social service programs, and funding streams for Food Stamps and child nutrition were also slashed. In response to this federal retrenchment, many states attempted to soften the blow of program cutbacks by expanding state and local services and programs. California, suffering from significantly reduced tax revenue after passage of Proposition 13, was not among them.

During the 1980's California passed legislation which eroded the safety net of poor and low income families in the state. Thus despite increasing unemployment and a growing need for public assistance, California continued to reduce benefit levels and minimize caseloads. The annual cost of living adjustment (COLA) to AFDC benefits was often frozen, sometimes for several years at a time. Tax refunds were now counted as part of a family's income thereby reducing eligibility for greater numbers of AFDC-reliant families. SSI and GA benefits were also reduced through suspension of annual COLAs. California turned increasingly to workfare programs in hopes of further shrinking caseloads. Health and mental health programs were also targeted for cutbacks and spending on Medi-Cal patients reduced. Privatization of Medi-Cal occurred as private hospitals were contracted to perform certain services while the state reduced funding and transferred responsibility for the medically indigent to the counties where they were treated in County health clinics and hospitals, and the small number of inner-city private hospitals willing to accept them.

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1 Inter-University Consortium on Homelessness and Poverty. 1995. "*Jobs, Welfare and Homelessness.*" Los Angeles: Weingart Center Association.

2 Inter-University Consortium on Homelessness and Poverty, ibid.

3 Wolch, Jennifer and Michael Dear. 1993. *Malign Neglect: Homelessness in an American City.* San Francisco: Jossey-Bass.

Social spending retrenchment continued into the 1990's despite worsening economic conditions in California. Further reductions in benefits left SSI and AFDC recipients struggling to make ends meet with steadily shrinking resources. Governor Wilson suspended COLA adjustments for the SSI program and then reduced AFDC payments by 9 percent. Furthermore, the amount of available housing assistance continued to fall short of what was needed by low income families and individuals, leaving many in unstable living situations and increasingly vulnerable to homelessness. Recent legislation in California also enabled counties to steadily reduce General Assistance payments, the program of last resort for the state's poorest residents, whose average benefit has fallen 30 percent since 1991.[4]

Demographic Dynamics

Major demographic shifts took place in the Los Angeles region in the last fifteen years influencing the context of public assistance. These trends have played an important role in the development of the local economy, the transformation of Los Angeles' ethnic make-up, and changing rates and risks of poverty faced by subgroups in the local population.

Immigration and Population Growth

As European immigration in the early 1900's influenced the development of the United States, so recent waves of immigration from Mexico, Asia and Central America have influenced Los Angeles and all of Southern California. Half of the rapid population growth which occurred in the Southern California region in the past two decades was due to migration from foreign countries as well as from other parts of the United States.[5] Furthermore, in the first half of the 1990's, large numbers of residents left Southern California while foreign born immigrants continued to arrive. The Hispanic proportion of Southern California population increased from 14 percent in 1970 to 33 percent in 1990 and the Asian population increased from 3 percent to 9 percent over the same period of time.[6] The proportion of the population that was Black remained constant from 1970 to 1990 while the non-Hispanic White population decreased significantly from 75 percent in 1970 to 50 percent in 1990.[7] The arrival of immigrants changed not only the ethnic make-up of the region, but also the nature of the local labor. Recent immigrants, often having lower rates of educational attainment and English fluency, and more vulnerable to workplace exploitation, tended to be poorer than earlier arrivals, and disproportionately employed in low wage service industries, manufacturing and construction industries, stimulating low-skill industry growth and reinforcing trends

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4 Western Center on Law and Poverty. *Facts About Safety Net Assistance for Single Adults in Poverty.*

5 Dear, Michael, (ed.). 1996. *Atlas of Southern California.* Los Angeles: Southern California Studies Center, University of Southern California.

6 Dear, ibid.

7 Dear, ibid.

toward polarization of incomes within the region.[8] Out-migration from the region also grew during the 1980's and 1990's, as lower-income residents departed the region in search of more favorable circumstances elsewhere.[9] During 1990-1995, for example, as almost 800,000 immigrants arrived in three counties of Los Angeles, Riverside, and Orange, net domestic out-migration exceeded one million.[10]

Single Person and Female-Headed Households

Another important demographic trend of the 1980's was marked growth in the number of single-person households, which increased the demand for a dwindling number of affordable housing units and raised rents and rent burdens. There was also growth in the number of female-headed households, as divorce rates escalated and increasing numbers of infants were born to unwed women. Female-headed families increased by 91 percent nationally between 1969 and 1979 and another 15 percent between 1979 and 1988.[11] While the number of women joining the workforce continued to expand, allowing more women to live independently with their children, gender differentials in access to jobs and wage rates, and rising costs of child care, led to growing poverty among these families. By 1990, the impacts were evident in Los Angeles County where the vast majority of single-headed families in poverty were headed by women.[12] These female-headed households were disproportionately headed by women of color.

B. Poverty Rates and Characteristics of the Poor Population

According to the 1990 Census, 1.86 million (12.8 percent) persons were living in poverty in Southern California, growing from 11.9 percent in 1980.[13] Not surprisingly, the vast majority of these people lived in Los Angeles County, with over 1.3 million persons in poverty in 1990. The county also had the highest rate of poverty, 14.8 percent.

It is vital to note that these official poverty rates undercount the number of Southern California residents facing major challenges in meeting their subsistence needs. California is one of the costliest states in the nation, especially in terms of housing; federal poverty lines used to calculate poverty rates do not, however, take state-level differentials in cost-of-living into account, and thus official poverty rates

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8 Dear, ibid.

9 Frey, William H. 1996-97. "Immigration and the Changing Geography of Poverty." *Focus*, 18:24-28.

10 Frey, William H. 11/96. "Immigrant and Native Migrant Magnets." *American Demographics*, pp. 1-5.

11 Wolch and Dear, op cit.

12 Los Angeles County Department of Social Services. 11/96. "Characteristics of AFDC Cases, Los Angeles County."

13 Walsh, Jessica, and Jennifer Wolch. 1996. "Poverty and Welfare in Los Angeles 1980-95," in Michael Dear (ed.) *Atlas of Southern California*. Los Angeles: Southern California Studies Center, University of Southern California.

underestimate the level of hardship experienced by Southern Californians relative to people falling below the official poverty line in lower cost-of-living states and regions of the country. [14]

The composition of the region's poverty population in 1990 was heavily weighted toward young people, with over half of all individuals in poverty being under 25 years of age compared to less than 40 percent of the general population of the region. The poverty population was also disproportionately female. While the largest share of people in poverty lived in married couple type households, female-headed households comprised 30 percent of households housing individuals in poverty, a rate more than double that general population. Almost a quarter of the poverty population was White Non-Hispanic, another quarter Hispanic, and about 12 percent Black Non-Hispanic. Recently arrived immigrants comprised a disproportionate share of the poverty group, as did non-labor force participants.

Since 1990, the prolonged recession has led to growing poverty, as estimated by other Census surveys (the Current Population Survey). While these surveys are not as reliable as the regular Census, because of their much smaller sample size, they are illustrative of the rapid climb in poverty since 1990. In the Los Angeles Consolidated Metropolitan Statistical Area (CMSA), which includes the 5 counties of Los Angeles, Orange, Ventura, Riverside, and San Bernardino, the poverty rate had risen to 20 percent by 1993, after which it inched downward slightly to 19.8 percent in 1994, and 18.6 percent in 1995.[15] Thus almost a fifth of all Southern California residents were living in official poverty by the mid-1990s. In Los Angeles County, Census estimates (recently adjusted for undercounting in the 1990 Census) indicate that poverty rates were far higher, rising from 15.1 percent in 1990, to 24.4 percent by 1995.[16] Many more were surely struggling to survive in one of the highest cost-of-living regions in the nation.

C. CASELOADS FOR MAJOR WELFARE PROGRAMS

To help make ends meet, an increasing share of the population has been forced to turn to public assistance programs. In Los Angeles County, almost 2.1 million people -- or almost 1 out of every four county residents -- received aid from a major public assistance program in 1995. In 1980, these figures were 1.1 million and 15 percent of the population, illustrating the dramatic decline in fortunes experienced by many southern Californians over this 15-year period. Recent figures indicate that the largest numbers

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[14] Wolch, Jennifer, and Dowell Myers. 1995. *Testimony presented to the U.S. Committee on Governmental Affairs, Subcommittee on Regulation and Government Information, Hearing on Adjusting Poverty Data for State Differences in Cost of Living.*

[15] U.S. Bureau of the Census. 1996. "Poverty in the United States, 1995." *Current Population Survey*, Series P60, No. 194. Washington D.C.: Government Printing Office.

[16] Los Angeles County Children's Planning Council. December 1996. *Ethnic Community Profile*. Los Angeles.

of county residents were helped by AFDC, (over 900,000 persons aided), SSI, (almost 350,000 persons), and GR, (over 95,000 persons). Many of these individuals, plus others not receiving cash assistance, relied upon medical and food programs. Over 600,000 individuals not receiving cash aid were enrolled in Medical Assistance and over 184,000 received Food Stamp benefits.

AFDC (FG; UP; FC; Homeless; GAIN)

The number of families receiving AFDC in Los Angeles County increased by almost 150 percent between 1976 and 1995 (144 percent or 128,435 families).[17] Currently, families receiving AFDC in Los Angeles County make up 33.6 percent of California's total AFDC caseload.[18] As of April, 1996, 907,541 persons (of whom 647,250 were children) were enrolled in the AFDC program, with over $181 million spent in aid payments to 340,408 cases or families. The AFDC program has three components: AFDC-Family Group (FG) for families, AFDC-Unemployed (UP) for two-parent families in which a parent is unemployed, and AFDC-Foster Care (FC) for children being cared for by the Foster Care system. Of the more than 340,000 total AFDC cases, approximately 257,000 were AFDC-FG, 51,000 were AFDC-UP and 31,000 were AFDC-FC. The average AFDC-FG case or family included 2.65 individuals each receiving $198.34 in monthly cash assistance and the average AFDC-UP case or family included 3.75 individuals each receiving $168.21 in monthly cash assistance. The average cost per AFDC-FC child was $1,038.55 a month.[19]

As of November 1996, 28.2 percent of the adults and 4.4 percent of the children receiving AFDC-FG were non-citizens. The proportion of non-citizens was higher among AFDC-UP recipients of whom 72.4 percent of the adults and 18.7 percent of the children were non-citizens.[20] AFDC-Homeless cases approved in April 1996 (702 families) received an average of $473.32 to secure either temporary or permanent shelter.[21] As of November 1996, there were 27,000 AFDC recipients enrolled in the Greater Avenues for Independence (GAIN) program in Los Angeles County.[22]

Medi-Cal

Approximately 34 percent of California's total Medi-Cal caseload reside in Los Angeles County.[23] The Medical Assistance Only caseload grew at an overall rate of 213 percent between 1976 and 1995, with an

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17 Walsh and Wolch, op.cit.

18 Los Angeles Department of Social Services. "Los Angeles County: Share of State Welfare Programs."

19 Los Angeles Department of Public Social Services. 3/96. "Quarterly Statistics."

20 Los Angeles Department of Public Social Services. 11/96. "Characteristics of AFDC Cases, Los Angeles County."

21 Walsh and Wolch, op.cit.

22 Los Angeles County. 11/4/96. "Initial Impact of Welfare Reform on Los Angeles County: Report #1."

23 Los Angeles County Department of Social Services. "Los Angeles County: Share of State Welfare Programs."

increase in the number of cases from 104,861 cases in 1976 to 328,618 cases in 1995.[24] As of August 1996, the total number of individuals receiving Medi-Cal benefits were as follows:[25]

	Total Caseload	Legal Immigrants
• AFDC and Medi-Cal	866,658 individuals	152,021 individuals
• SSI and Medi-Cal	336,936 individuals	113,723 individuals
• IHSS and Medi-Cal	8,765 individuals	3,025 individuals
• Medical Assistance Only	618,513 individuals	85,687 individuals

Food Stamps

As of April, 1996, there were over a million people (1,032,099), or 414,614 households, receiving Food Stamps in Los Angeles County. This number represents approximately 35 percent of California's total Food Stamp caseload.[26] This caseload included all people receiving Food Stamps, including those simultaneously enrolled in other forms of aid (e.g., AFDC, GR). The Food Stamps Only caseload increased a modest 18 percent from just under 50,000 cases, or households, in 1976 to 57,708 cases in 1995.[27] The total value of the Food Stamps distributed was $75.5 million; the average monthly value of Food Stamps per recipient was $72.23 or $179.79 per Food Stamp household.[28]

SSI

The SSI caseload in Los Angeles County grew 39 percent between 1980 and 1990.[29] According to the California Department of Social Services, approximately 32 percent of the state's current SSI caseload and 40.6 percent of its In-Home Supportive Services (IHSS) caseload reside in Los Angeles County.[30] As of August 1996, the SSI caseload in Los Angeles County stood at 336,936 recipients of whom 113,723 were legal immigrants.[31] In addition, IHSS were received by 78,531 individuals in Los Angeles County, 27,000 of whom were legal immigrants.[32] As of April, 1996, 5,616 SSI recipients were listed as having drug or alcohol related primary disorders.[33] Finally, according to the Department of Children and Family Services (DCFS), as of November, 1996 there were approximately 6,000 disabled children receiving SSI

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24 Walsh and Wolch, op.cit.

25 Los Angeles County. 8/96. "Legal Immigrants on Aid and Welfare Reform."

26 Los Angeles County Department of Social Services. "Los Angeles County: Share of State Welfare Programs."

27 Walsh and Wolch, op.cit.

28 Walsh and Wolch, op.cit.

29 Walsh and Wolch, ibid.

30 Los Angeles County Department of Social Services. "Los Angeles County: Share of State Welfare Programs."

31 Los Angeles County, op.cit, 8/96.

32 Los Angeles County, ibid.

33 Walsh and Wolch, op.cit.

in Los Angeles County (1,100 of these children under the care of DCFS) who were to have their SSI eligibility reviewed.

Many of the disabled, blind and aged SSI recipients also received a federally administered state supplement (SSP). The average monthly SSI/SSP benefit for an aged or disabled recipient was $461 in August of 1996.[34] The reported monthly benefit for a SSI/SSP recipient with an alcohol/drug related disability in Los Angeles County was slightly higher at $488 a month.[35] As of June 1996, disabled children in California received a combined SSI/SSP monthly benefit of $497.19.[36]

General Relief

The General Relief caseload in Los Angeles County increased from 1976 to 1993 at a rate of over 400 percent (17,569 to 88,925 cases). The majority (61.4 percent) of individuals currently receiving General Relief in California live in Los Angeles County.[37] As of April, 1996, almost one hundred thousand persons (95,897) were receiving GR in Los Angeles County and the vast majority of recipients were lone individuals, since the number of cases (92,838) closely approximated the number of recipients.[38] Total monthly GR benefit payments were approximately $19.5 million, $18.7 million of which was distributed in the form of cash (the remaining $873,340 in in-kind benefits). Average monthly benefits per case, $210.45, closely approximated the allowable benefit rate of $212.

Section 3: Three Alternative Scenarios for Welfare Reform

Having reviewed the welfare reform provisions contained in H.R. 3734 and current program caseloads in Los Angeles County, we turn to the task of estimating the direct fiscal consequences of each specific major provision for individuals, county government and the local economy. This is done through the use of welfare reform scenarios in which caseload and fiscal impacts are assessed. While many components of the new legislation await more exact interpretation at the federal level, and California has yet to decide on many of the state options, the construction of illustrative scenarios serves as an effective tool for demonstrating the range of potential fiscal impacts associated with each affected program and population group. This approach allows decision-makers to isolate the ways in which specific reforms will unfold, and thus modifications may be necessary to prevent certain sorts of undesirable outcomes.

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34 California Department of Social Services. 8/96. "Public Assistance: Facts and Figures August 1996."

35 Ellis, Virginia. 1996. "Thousands of Addicts, Alcoholics to Lose Aid." *Los Angeles Times*, 12/29/96.

36 Social Security Administration. 6/96. "Number of Children Receiving Federally Administered SSI Payments, by Region and State."

37 Los Angeles County Department of Social Services. "Los Angeles County: Share of State Welfare Programs."

38 Walsh and Wolch, op.cit.

It is critical to note, however, that because we do assess impacts program by program, the cumulative impacts of program changes on specific populations have not been estimated. Such cumulative, multi-program impacts are especially crucial to understand for key population groups such as legal immigrants, who face benefit restrictions and/or terminations in SSI, food stamps, and potentially other areas as well (depending on state option). For example MaCurdy and O'Brien-Strain have recently estimated such impacts on legal immigrants using 1993-1994 income information; they suggest that had noncitizens been denied food stamps and SSI in the early 1990's, the average loss of cash benefits per family affected would range from $2,000 (assuming only one family member lost eligibility) to almost $3,000 (assuming all family members were cut); such losses represented from 4-7 percent of annual income, and would have increased the poverty rate among the affected legal immigrant families from 27 to 47 percent (depending on assumptions). For those most dependent on SSI, welfare reforms would have cut annual income by 50-80 percent.[1] Had California denied AFDC benefits to legal immigrants, annual incomes among affected legal immigrant families would have fallen between $3,300-$6,300 (7-13 percent of income) and their poverty rates would have risen 13-19 percentage points, from 22 percent to between 35-41 percent.[2] These findings underscore the need for a comprehensive impact analysis that considers the implications of the full spectrum of welfare reforms on individuals and families. Information requirements for such an analysis are, however, enormous and either do not currently exist at all, or are not available in forms compatible with such a task.

A. Scenario Development Methodology

The following scenarios are based on several assumptions concerning the varying degree of effort California might make to mend a quickly unraveling safety net for low-income individuals. These assumptions, bounded by the framework laid out in H.R. 3734, are based on reform strategy statements included by the Wilson Administration in both the State Plan (necessary to receive funding under the TANF block grant) and in the 1997-98 Governor's Budget. Derived from these assumptions, a set of three scenarios, ranging from Low to High Impact scenario, detail by program how many individuals could lose benefits due to reform provisions. For each program and relevant recipient sub-population, we provide a narrative detailing sources and assumptions used in developing estimates, the pictures portrayed under the three basic scenarios, a summary table and a set of more detailed tables (Appendix A). ***These scenarios should not be interpreted as predictions but rather a range of possible caseload and fiscal impacts.***

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[1] MaCurdy, Thomas and Margaret O'Brien Strain. 1997. "Who Will Be Affected by Welfare Reform in California?" San Francisco: Public Policy Institute of California, pp. xviii-xix.

[2] MaCurdy and O'Brien Strain, ibid.

Caseload data have been derived from numerous Los Angeles County Department of Public Social Service (DPSS) and California Department of Social Services (DSS) reports as well as academic studies examining welfare dynamics. Average benefit information was also obtained from DPSS as well as the Social Security Administration. Data regarding the proportion of program recipients at risk of losing benefits have been gleaned from the work of various nonprofit research and advocacy organizations such as the Urban Institute, the Bazelon Center for Mental Health, and the Western Center on Law and Poverty as well as the Congressional Budget Office. Estimates of the monetary value of lost benefits are drawn from reports published by the California Legislative Analyst's Office, DPSS and other governmental departments, and academic studies.

For the legal immigrant population at risk of losing benefits, the single most important factor will be the rate at which they become naturalized citizens. While the U.S. Immigration and Naturalization Service (INS) has calculated the percentage of legal immigrants in California eligible for citizenship based on length of residence in the U.S., these estimates do not take into account other requirements, such as the successful completion of language and civics exams, which could effectively limit the number of non-citizens able to naturalize. Furthermore, the naturalization process, which currently takes up to six months, could in fact take longer in the future due to a swelling applicant pool. During this waiting period, legal immigrants would have their benefits terminated. Lastly, the fee to apply for naturalization has increased substantially, which may deter some eligible applicants from initiatives of this process.

There are a number of assumptions made with regard to individuals migrating from federal/state funded programs, such as SSI or AFDC, to the local General Relief program. In general, despite the fact that recipients terminated from aid may have little alternative but to apply for General Relief, many may avoid this alternative. The program's stigma as a welfare program of last resort (especially in comparison to programs such as SSI), its extremely low benefit levels (which are typically insufficient to obtain rental housing), and its restrictive asset limitations (which could force an applicant to sell his/her car or other valuables, for example), may prompt terminated recipients to double up with family or friends. No data on historical migration rates were available, however, at the time of report preparation; in most cases a 50 percent rate of migration was assumed, in accord with DPSS estimates.

Finally, a model was developed to estimate the potential range of impacts due to new work requirements and time limits for TANF recipients. These models are based on historical caseload dynamics, the experience of the GAIN program in transitioning welfare recipients into the workforce, and economic growth rates in Southern California. While these models simulate how many individuals could lose TANF

benefits under the various scenarios, they cannot predict change in behavior patterns likely to be experienced by current and future recipients reacting to work requirements and time limits.

A. Temporary Assistance to Needy Families

Federal and state changes in the current AFDC program will affect nearly every one of the approximately 300,000 (AFDC-FG and AFDC-U) families or cases currently receiving assistance under this program. To begin with, an across the board 4.9 percent reduction in TANF grant amounts will be applied to all families receiving assistance. For example, the maximum monthly aid payment for a family of three will be reduced from $594 to $565 effective January 1, 1997, an annual loss of $348. This cut will be partially offset by increased Food Stamp allocations (a value of $162 per family a year), and for the small share of recipients living in publicly-assisted housing units, a decrease in the share of rent they will be expected to shoulder since rent payments are set at a fixed share of the recipient's income.

TANF Work Requirements/Time Limits

Unlike AFDC, under which income-eligible families could apply for and receive assistance indefinitely, the TANF program is specifically designed as a time-limited benefit. The federal legislation mandates a five-year life-time limit on assistance derived from TANF federal block grant funds, and requires recipients to be "engaged in work activities" after two years of aid. Despite these time-limits on family use of federal TANF block grant funds, states have the option of using their own resources to either extend or remove this time limit. They may also require recipients to engage in work activities within a shorter time span than specified in the legislation.

In addition to the life-time limit, H.R. 3734 sets out a series of state mandates requiring that specific proportions of TANF recipients work. These requirements are phased in over time, and states face fiscal sanctions if they do not meet these requirements. By 1997, 25 percent of adults in Family Group cases must be engaged in work activities and this percentage increases to 50 percent by 2002; work requirements are steeper for Unemployed Parent cases, with 75 percent of these cases required to work at least 35 hours a week by 1997 and 90 percent required to work by 2002 in order for the state to avoid penalties. If these requirements are met, families remain eligible to receive continued TANF assistance (at some level).

At any time, 20 percent of the caseload may be waived or exempted from time limits and work requirements due to disability or other hardships (and thus receive aid indefinitely). Recipients residing in geographic areas of high unemployment may also be temporarily waived from requirements. In addition,

increases in rates of caseload termination help to meet federal work requirements (which may prompt local efforts to increase termination rates via various forms of bureaucratic disentitlement).

But TANF's time-limits and work requirements imply that states must force recipients to transition from reliance upon welfare alone, to wage labor or work-related activities that either permit financial independence or are supplemented by welfare assistance at reduced levels. Governor Wilson has proposed that a one-year limit on TANF aid be imposed on recipients, after which they would be required to work or engage in one of a number of related activities (such as job or vocational training, job club/search activities, completion of a GED, community service, etc.) or else lose TANF benefits and be ineligible for renewed aid for one year. New recipients would be eligible for 12 cumulative months of aid during any 24 month period; current recipients would be able to receive aid for 24 months during any three-year period. Among other provisions, Wilson's plan proposes that anyone not working or engaged in work-related activities should experience a 15 percent grant reduction after 6 months on aid; children in families meeting time limits would be eligible for in-kind transfers of various types (i.e. clothing vouchers). Caretaker families and families with a severely disabled child or infant under 12 weeks would be exempt from work requirements.

An alternative proposal prepared by the State Legislative Analyst's Office (LAO) offers a different approach, through: (1) the creation of a set of employment assistance services and subsidized community service employment opportunities for TANF recipients; (2) provision of case management, child care, and transportation programs to assist transitioning families; and (3) establishment of a state-funded safety net program for those families barred from federal assistance due to the five-year limit, in order to protect poor children. A broader group of families would be exempt from work requirements (e.g., not only caretaker parents and families with disabled children, but those with infants under one year of age), and the five-year "clock" would stop ticking as long as a family was working at least 20 hours per week in an unsubsidized job.

There exist enormous uncertainties about how various work requirement proposals might actually play out in practice, and the extent of impacts on recipient households. At a practical level, the data collection and tracking systems needed to enforce work requirements on families do not presently exist, and it is clear that a large investment of time and resources will be required to establish such systems (which must be national in scope, since recipients can move from state to state while still falling under the federal five-year rule). Since this sort of caseload tracking system does not currently operate, it is difficult to estimate the impacts of various time-limits on caseload dynamics; most estimates are based on panel studies of limited size and duration. Moreover, under new program rules and benefit levels, recipient behavior may change (e.g., job search rates, willingness to participate in education/training programs, extent of reliance on

social networks), rendering the results of past studies less reliable as guides to future behavior.

Similarly, if funding for job-related programs (such as GAIN) is increased, as proposed under the Governor's plan, the overall effectiveness of such programs in terms of job placement, retention, and earnings may change as greater numbers of people (who are potentially less employable) enroll, making assumptions based on prior evaluations rough guides only. Such programs typically "cream," that is, select those clients most apt to succeed either because they have more recent work experience, education or training, or because they live in neighborhoods with greater access to job opportunities. Program expansion means dipping deeper into the caseload for participants, many of whom will be less likely to find and/or hold jobs. In addition, GAIN success rates, modest even for the most widely-touted GAIN Riverside program, will vary from area to area; one of the key reasons for Riverside's higher job placement rates has been the growth of lower-paid jobs in the Inland Empire related to residential growth (which brings consumer services and retail jobs along with it). Such job accessibility has been found to influence welfare usage rates, with poor people who are living in closer proximity to jobs being less likely to rely on welfare.[3]

Other and much greater uncertainties about time-limit impacts arise from the fundamental observation that the overall economy effectively limits the extent to which individual job seekers are able to locate employment. GAIN-type programs are strictly limited in their effectiveness not only by program design but also by the level of demand for labor on the part of employers. In geographic areas with expanding economies and high rates of job creation, larger portions of the TANF caseload will be able to secure employment in comparison with locales with flat or declining economic trajectories.

As the national economy climbed out of the recession that took place in the early 1990s, and entered a growth phase, welfare caseloads have fallen dramatically; but because the recession was both deeper and longer-lasting in California, the rate of caseload decline has been much slower (18 percent nationally versus less than 6 percent in California[4]). The labor market in Los Angeles County has gone through the most difficult adjustment period experienced since the 1930's. Between 1990 and 1994, a total of 428,800 jobs disappeared from the area. Since 1994, the pace of recovery has been weak at best. In 1995, only 36,400 new jobs were created, and 55,400 new jobs appeared in 1996 (on an annual-average basis).

The California Employment Development Department (EDD) produced a set of occupational employment projections for Los Angeles County in 1994. The projections assumed an average annual growth in area

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3 Paul Ong and Evelyn Blumenberg, "Job Accessibility and Welfare Usage Rates Among the Poor: Evidence from Los Angeles." UCLA School of Public Policy and Social Resesarch, Working Paper, August 19, 1996.

4 DeParle, Jason. 1997. "A Sharp Decrease in Welfare Cases is Gathering Speed." *New York Times*, 2/22/97, p. 1.

employment of 78,600 jobs per year between 1994 and 1999. (Since a total of only 91,800 new jobs were created between 1994 and 1996, these projections seem overly optimistic.) Even if the projected annual increase of 78,600 jobs were to take place, there could be no improvement in the current labor market situation which has produced an unemployment rate of 8.2 percent for all of the 1996, with an average of 362,900 unemployed workers. (It should be noted that because of highly restrictive definitions of "unemployed" used in the employment surveys upon which unemployment statistics are based, all but a miniscule number of welfare recipients are excluded from this 362,900 figure.) These official unemployment figures ignore the large number of workers in Los Angeles who have stopped looking for work (and thus are not considered unemployed) because of the difficulties of finding a job. In 1996, there were on average more than 125,000 such discouraged workers, and an estimated 99,300 involuntary part-time workers also competing for available job slots.[5] Job growth since 1994 has hardly made a dent in this situation.

The job-search prospects for TANF recipients who will be required to seek work must be evaluated in light of this economic context in Los Angeles County. The entry of just 50 percent of TANF adults into the labor market would immediately increase by 34 percent the number of persons competing for a very limited number of job openings. Moreover, many of these job openings will be inappropriate or closed to TANF recipients (due to various forms of occupational segregation). An analysis of the EDD report on the occupational structure of the Los Angeles area (which contains job-growth projections) shows that, at most, only about 30 percent of all local jobs would be open to the TANF adult population. This estimate includes only occupations that require a training period of one year or less, and excludes those that require very heavy lifting or other strenuous or hazardous activities (since much of the TANF labor pool is female). Of the 3,704,500 non-farm jobs counted in 1994, a total of 1,145,400 could be considered as possibly appropriate for these potential TANF entrants into the labor force. However, due to long-standing patterns of gender-based occupational segregation, a large number of these positions are in occupations traditionally filled almost exclusively by male workers, and would presumably be an unlikely source of job placement for mothers of children in the TANF program.

Even if we grant that all of the 1,114,500 jobs are in categories that represent a potential source of employment for TANF job-seekers, taken together these occupations are only expected to provide about 24,600 new positions per year, according to EDD's optimistic predictions. To this number should be added an estimated 48,000 openings per year that will result when employed workers retire or leave the labor force for other reasons. Considering these two sources of job openings gives a maximum number of openings per year of 73,000 for TANF adults.

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[5] DeParle, ibid.

Not only do these 73,000 job openings fall far short of the approximately 125,000 jobs required for the TANF Family Group caseload required to be working by 2002, but it is minuscule in comparison with the hundreds of thousands of persons *already* either actively seeking work, or who would enter the labor market if their job prospects were to improve. Just counting those persons who applied for work with EDD throughout 1996, there were about 250,000 active job applicants, most of whom reported recent work experience. Over half of these would also be candidates for the 73,000 projected job openings considered appropriate for TANF recipients.

In addition, the vast majority of these 73,000 job openings will be low-wage positions. Few of the 1994 openings paid more than minimum wages. Job categories with significant numbers of openings were mostly in sales-related and clerical occupations, which are overwhelming low-paid positions. Many are also part-time only.

The picture painted by these statistics is bleak indeed. Even if job-training and placement programs such as GAIN were to be completely successful, the job hiring that would result would necessarily be at the expense of all other unemployed job seekers -- of which Los Angeles County has the largest number in the nation. Most members of this group are either receiving unemployment insurance payments or have already exhausted their benefits. Moreover, U.S. Department of Labor statistics indicate that over 95,000 of Los Angeles' unemployed have been jobless for at least six months. Surely these unemployed individuals and their families would call into question any policy that sought to place the job needs of a large group of potential workers -- TANF recipients -- ahead of the employment prospects of everyone else seeking work in Los Angeles County.

On top of the severe shortage of employment opportunities, the geographic distribution of TANF recipients relative to the location of new job growth areas in the county puts them at a distinct disadvantage compared to many other job seekers. Ong and Blumberg, for example, studied the distribution of low-wage jobs located within a 3-mile radius of all census tracts in Los Angeles County, and assessed the impact of differential job access on welfare usage rates. They found that welfare usage increased among the poor in Los Angeles as their geographic access to low-wage jobs decreased. This relationship held across racial and ethnic lines. Such job access was the lowest in south and central areas of the county.[6]

In sum, given the county's extremely low job-growth rates, a welfare applicant's success in finding a job will often mean that a non-recipient *is unsuccessful. In a virtually stagnant economy, forcing welfare*

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6 Ong and Blumberg, op. cit.

recipients to seek work is essentially a zero-sum game. The TANF program itself does nothing to address this issue. It does not fund the creation of new jobs through subsidized employment or indirect funding of program-related services (such as child care or job training). On the contrary, it has the potential to create job *losses*; as TANF benefit streams are reduced, money flows out of the region. In the absence of offsetting new revenues flowing into the region, a welfare recipient who obtains employment will receive wages that would otherwise have gone to another unemployed person; no new income will offset the loses to the regional economy.

Currently, the only added revenue for the region is that targeted to local job-training programs such as GAIN. Recent studies suggest that there have been no net savings associated with GAIN available for reinvestment elsewhere in the economy to generate new jobs (i.e. increased tax revenue due to increased earnings, plus savings due to reduced AFDC costs did not outweigh program costs). H.R. 3734 does, however, require the state to maintain its share of welfare spending at 80 percent of 1994 welfare caseload and related program costs. This maintenance of effort (MOE) requirement insures that as TANF caseloads decline, funds will be used to assist families in which adults are making a transition from welfare to work (rather than allowing the state to substitute federal TANF block grant monies for unrelated state programs). MOE requirements will cause state spending on various services and thus reinject dollars lost due to shrinking TANF caseloads/costs into the state's economy. This will limit the job losses associated with implementation of TANF time-limit and work requirements. (These economic impacts will be discussed in Section 4).

Despite the difficulty of estimating the impacts of time-limits, their potential effects on families, and in particular on children, are significant and so we offer three basic alternative scenarios for discussion. These scenarios only consider the Year 1 caseload. This is less than optimal, since as additional new TANF cohorts arrive in the system, the effects will accumulate over time; however, to estimate such cumulative impacts requires a complex, fully dynamic demo-economic model of TANF caseload movement. For present purposes, our more limited and simplified scenarios estimate direct impacts on the 1996 caseload of 249,294 AFDC-FG and 49,836 UP families. The estimates are derived by following these caseload cohorts over a six-year period, beginning with the first year of the new program. The calculations trace their movement among several situations: work placements secured autonomously or through GAIN (or a similar) program, to the TANF program, to non-assistance, or to General Relief. The six-year span was selected in order to measure the initial effects of the 60 month or five-year life-time limit on aid.

The scenarios *share* certain key assumptions:

1. Up to 20 percent of the current AFDC caseload is allowed to enter the waiver pool, and no assumptions are made about a state-funded safety-net program;
2. As in other scenarios, 50 percent of cases that are terminated are assumed to migrate to the General Relief program, where the average benefit would range from $404 - $494 per month, assuming average AFDC-FG and UP family sizes[7];
3. Fifteen percent of children in terminated families are assumed to go to foster care, and thus the federal and state share of foster care payments (70 percent of an average $13,944 per year) to households and institutions in the region increase, and the County's Foster Care costs rise accordingly;[8]
4. A small share of cases (1 percent in the Low Impact scenario, and 5 percent in the other two cases) are terminated due to failure to comply with various regulations (e.g., paternity establishment, substance abuse, and so on), and are ineligible to resume aid;
5. Terminated families are assumed to receive an increase in Food Stamp benefits worth $58/month or $696 per year; and
6. MOE requirements limit the amount of funds flowing out of the economy as a result of TANF terminations, with MOE funds (in the form of payments to service providers, etc.) estimated as the difference between the state share of TANF total payment reductions resulting from terminations (50 percent) and 20 percent of the MOE requirement for the County (estimated at $247,738,138 or 34 percent of the state's MOE, reflecting the County's share of the state caseload in 1994).

Food Stamp and Foster Care payment increases, and MOE funds, will work to offset (to varying degrees) the direct economic losses associated with TANF benefit termination. No MOE funds are required under any scenario in Year 1, but in the Mid and High Impact scenarios between Years 2-6 some MOE spending is required.

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7 General Relief has historically served single indigent adults; families only appear in the caseload on an emergency basis, e.g., during a period of transition to the AFDC program. However, since counties are required to protect the health and welfare of all residents, families terminated from TANF with no alternate resource can migrate to the GR system where their benefit rates vary by family size.

8 AFDC-FG cases average 2.63 persons/case, UP cases 3.78; to calculate the number of children terminated and placed in Foster Care, we assume 1.63 children in FG cases and 1.78 children in UP cases.

The scenarios *diverge* with respect to the following assumptions:

Low Impact Scenario - Under this scenario, similar in basic outline to the LAO proposal, we assume that within the first two years of implementation, remaining TANF cases either: (1) find employment through existing or new job-related programs; (2) are placed in community-service or other subsidized job slots; (3) cycle off autonomously (e.g., find work on their own, or obtain alternate sources of household support via marriage, etc.). Based on past estimates of the caseload share that has continuously received aid for 5 or more years, we assume that 25 percent of the caseload will be affected by the five-year lifetime limit (since they will not be in unsubsidized jobs, or will still be receiving aid due to low-wage employment).

Medium Impact Scenario - This scenario assumes that recipients are required to work after two years of benefits; that GAIN funding triples; and that no community service positions are created.

During the first two years of TANF, recipients leave the program at rates similar to those that characterize the current welfare caseload (about 30 percent cycle off voluntarily over the two-year period), and the remaining cases either enter GAIN (about 108,000, or three times the current GAIN caseload of 36,000) or continue to seek work on their own. We assume that 65 percent of GAIN participants find a job in Year 1, and that in each subsequent year 60 percent of these individuals retain their jobs (both rates similar to those experienced by Riverside GAIN). GAIN participants losing their jobs may keep returning to TANF after one year, and stay on for two years. Those seeking work on their own have a slightly lower rate of job placement (60 percent) and retention (50 percent).

After Year 2, those who do not initially secure employment through GAIN or who are seeking work on their own, have a 50 percent job placement rate in Year 3, and of the remainder, half are terminated for that year and half are allowed to return to TANF for two years. Since those obtaining work have a 50 percent job retention rate, those leaving work are either terminated or return to TANF (in equal shares). We assume that since 80 percent of GAIN participants both work and receive welfare, 80 percent of GAIN participants continuously employed for five years are terminated from TANF in Year 6.

High Impact Scenario- The High Impact scenarios similar to the Medium Impact scenario, except that: (1) GAIN funding only increases by 20 percent; (2) recipients are required to

work after one year on TANF; and (3) those cycling back onto TANF after losing a job may only receive benefits for one (instead of two) years.

Summary Table 3B-1 below shows the results of these scenarios.

It is important to note that in Years 2 to 6, the large numbers of net cases terminated (terminations minus reinstatements), total Foster Care placements, and total cases migrating to General Relief reflect the fact that (depending upon the scenario), the caseload is repeatedly churned because of work requirements and time limits, i.e. cases can cycle on/off TANF and GR, or in/out of Foster Care several times over the 6 year period. Thus, the average number of children in Foster Care at any one time, for example, would be much lower than totals suggest. In the Medium Impact scenario, for instance, the 81,545 Foster Care placements in Years 2-6 translate into about 16,000 additional Foster Care children at any one time during Years 2-6. Even those TANF families able to migrate to GR would lose almost a fifth of their income support. These figures highlight the scale of dislocation involved under the alternative scenarios.

Another critical point emphasized by these three scenarios is that the rate at which recipients meet life-time TANF eligibility limits varies enormously. In the Low Impact scenario, where recipients continue to receive aid due to the availability of community service placements, that portion of the caseload least apt to have transitioned to work, or off the caseload for other reasons (what has historically been termed the "long-term" portion of the caseload), meets the time-limit in year 6. In contrast, churning implies that more time is spent off of aid, and hence the declining number of cases meeting limits in the other two scenarios.

Other TANF Provisions

While not on equal scale with work participation requirements and time limits, a number of other provisions will affect smaller portions of the current AFDC and future TANF caseload including:

- The ten year ban on recipients involved in fraud cases
- The five year ban on future legal immigrant families in need of TANF assistance
- A complete ban on drug-related felons and fugitives/parole violators
- Paternity establishment requirements

Summary Table 3B-1: TANF Families With Children Affected By Work Requirements & Time Limits

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• All 300,000 cases will have their grants reduced 4.9% • 74,034 cases reach 5-year lifetime limits by year 6 and are terminated • 2,991 terminated for regulatory noncompliance in year 1 • 743 Foster Care placements in year 1, and 18,379 in years 2-6 • 1,495 cases migrating to General Relief in year 1 and 37,017 in years 2-6	• All 300,000 cases will have their grants reduced 4.9% • 5,633 cases reach 5-year lifetime limits by year 6 and are terminated • 14,957 terminated for regulatory noncompliance in year 1 • 328,585 net terminations (terminations minus reinstatements) in years 2-6 • 3,713 Foster Care placements in year 1, and 81,545 in years 2-6 • 7,478 cases migrating to General Relief in year 1, and 191,546 in years 2-6	• All 300,000 cases will have their grants reduced 4.9% • 3,903 cases reach 5-year lifetime limits by year 6 and are terminated • 14,957 terminated for regulatory noncompliance in year 1 • 485,235 net terminations (terminations minus reinstatements) in years 2-6 • 3,713 Foster Care placements in year 1, and 120,355 in years 2-6 • 7,478 cases migrating to General Relief in year 1 and 233,187 in years 2-6
Direct Net Impact on Economy	• $18 Million in TANF benefits lost in year1, $458 Million lost in years 2-6 • $2 Million in added Food Stamp benefits in year 1, $52 Million in years 2- 6 • $7 Million in added Foster Care payments in year 1, $179 Million in years 2-6	• $92 Million in TANF benefits lost in year 1, $2 Billion lost in years 2-6 • $10 Million in added Food Stamp benefits in year 1, $229 Million in years 2- 6 • $36 Million in added Foster Care payments in year 1, $770 Million in years 2- 6 • $234 Million in MOE spending added in years 2- 6	• $92 Million in TANF benefits lost in year 1, $2.7 Billion lost in years 2-6 • $10 Million in added Food Stamp benefits in year 1, $338 Million in years 2-6 • $36 Million in added Foster Care payments in year 1, $1.2 Billion in years 2-6 • $336 Million in MOE spending in years 2-6
Direct Impact on County	• $7.5 Million in added GR costs in year 1, $222 million in years 2-6 • $3 Million in added Foster Care costs in year 1, $77 Million in years 2-6 ($15.4 million/year)	• $37.6 Million in added GR costs in year 1, $987 million in years 2- 6 • $15.5 Million in added Foster Care costs in year 1, $330 billion in years 2-6 ($66 Million/year)	• $37.6 Million in added GR costs in year 1, $1.2 Billion in years 2- 6 • $15.5 Million in added Foster Care costs in year 1, $510 Million in years 2-6 ($102 Million/year)
Key Assumptions	• 50 percent of terminated cases migrate to GR • 15 percent of terminated children placed in Foster Care during period parents are not working or receiving TANF • 25 percent reach 5-year life-time limit on TANF aid	• 50 percent of terminated cases migrate to GR • 15 percent of terminated children placed in Foster Care during period parents are not working or receiving TANF • two year work requirement; two years eligibility after one year termination	• 50 percent of terminated cases migrate to GR • 15 percent of terminated children placed in Foster Care during period parents are not working or receiving TANF • one year work requirement; one year eligibility after one year termination

State TANF Options

Legal Immigrants Receiving TANF - While California has not yet indicated an intention to remove legal immigrants currently receiving TANF from the caseload, estimates reveal that such a move could have

devastating effects on legal immigrant families. Should the state opt to exclude most legal immigrants, 124,000 adults and children would lose TANF benefits in Los Angeles County alone.[9] In such a case, the only factor which could prevent legal immigrants from losing TANF would be naturalization.

Summary Table 3B-2: Legal Immigrants Losing TANF

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• None	• 74,400 legal immigrants retain TANF benefits • 49,600 legal immigrants lose TANF benefits • 24,800 legal immigrants who lose TANF apply for and receive GR	• 37,200 legal immigrants retain TANF benefits • 86,800 legal immigrants lose TANF benefits • 43,400 legal immigrants who lose TANF apply for and receive GR
Direct Net Impact on Economy	• None	• $ 109.7 Million/year in lost TANF benefits	• $ 196.2 Million/year in lost TANF benefits
Direct Impact on County	• None	• $ 42.8 Million/year in additional GR benefit costs	• $ 74.9 Million/year in additional GR benefit costs
Key Assumptions	• State does not exercise option to bar legal immigrants from TANF	• State does exercise option to bar legal immigrants from TANF • 60 percent naturalization rate for legal immigrants receiving TANF • 50 percent migration rate from TANF to GR	• State does exercise option to bar legal immigrants from TANF • 30 percent naturalization rate for legal immigrants receiving TANF • 50 percent migration rate from TANF to GR

Low Impact Scenario - Assuming that California does not exercise the option to bar legal immigrants from TANF, there would be no impact on this population in Los Angeles County.

Medium Impact Scenario - Assuming that California does bar legal immigrants from TANF benefits, and that a significant amount of naturalization occurs among legal immigrants, a considerable impact would be felt by Los Angeles County. According to an INS study, slightly over 60 percent of legal immigrants in California are eligible to apply for naturalization.[10] Even if a full 60 percent of legal immigrants receiving TANF successfully naturalized, the remaining 40 percent, or nearly 50,000 adults and children, would lose their monthly TANF benefits. Some portion of those families losing TANF would be expected to migrate to the General Relief program. Assuming a 50 percent migration rate implies that nearly 25,000 cases migrating to the General Relief program would see their benefits fall from a maximum of $565 a month (maximum TANF benefit for a family of three) to $431 a month (maximum GR benefit for a family of three). The overall loss to individual income would be $66.9 million a year, the direct impact on the

9 Los Angeles County. 11/14/96. "Ten Major Impacts of Welfare Reform in Los Angeles County."

10 Immigration and Naturalization Service. 11/20/96. "State Estimates on Naturalization Eligibility."

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economy would be a loss of $109.7 million a year and the County budget would have to pick up an additional $42.8 million a year due to an increased GR caseload.

High Impact Scenario - Assuming that legal immigrants are ultimately barred from TANF, but that a lower naturalization rate occurs, yields a more dramatic loss of benefits among this population of recipients. If only 30 percent of the legal immigrants receiving TANF in Los Angeles naturalize, the remaining 70 percent, or over 86,000 adults and children, would lose their monthly TANF benefits. Assuming the same 50 percent rate of migration to General Relief would mean that over 43,000 of those losing TANF would apply for and receive monthly General Relief assistance, approximately 24 percent less than the maximum TANF benefit for a family of three. The net loss in income to individuals is $121.3 million a year. The impact on the local economy would be a loss of $196.2 million a year and the County would have to pay an additional $74.9 million a year in GR benefits.

California's exercise of options pertaining to the family cap, minor parents and relocation grants will also impact a number of families. The Legislative Analyst's Office has estimated that banning assistance for additional children born to families receiving TANF for longer than ten months means that in 1997, 47,810 families in California will not receive additional cash assistance for their newborns.[11] Applying the historic percentage of the AFDC caseload in California residing in Los Angeles County, 34 percent, this estimate suggests that the family cap will impact over 16,000 families or cases in the county. The Legislative Analyst's Office has also estimated that the minor parent provision, requiring that minor parents not in an adult-supervised setting or participating in an educational program and their children will receive no TANF benefits, will impact 20,000 minors in California,[12] or 6,800 minors in Los Angeles County. California's decision to exercise the "relocation grant" option means that in 1997 an estimated one percent of TANF families will, for their first twelve months in California, have their benefits limited to the maximum level of the state they moved from.[13]

C. Supplemental Security Income (SSI)

Changes in eligibility requirements will impact a large number of individuals currently receiving SSI, as well as future applicants.

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11 Lesher, Dave. 1996. "State Prepares for Dawn of New Welfare System." *Los Angeles Times*, 11/25/96.

12 Lesher, ibid.

13 Lesher, ibid.

Disabled Children - New eligibility requirements effectively do away with the individualized functional assessment (IFA) under which many disabled children had previously been eligible for SSI. A child must now have a "medically determinable physical or mental impairment which results in marked and severe functional limitations." Nationally, over a quarter of the children currently receiving SSI will have their eligibility reviewed and according to the Social Security Administration, 67 percent of those reviewed are likely to be denied further assistance.[14] This is consistent with the Clinton Administration's expectation that 20 percent of disabled children currently receiving SSI will lose eligibility.[15] Given a total of 6,000 disabled children in Los Angeles County waiting to have their eligibility for SSI reviewed, the possible impact scenarios are as follows:

Summary Table 3C-1: Disabled Children Losing SSI

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• None	• 3,900 children retain SSI/SSP benefits • 1,575 children lose 50 percent of their public assistance income • 525 children lose 100 percent of their public assistance income • 2,100 children receive Food Stamp benefits of $72.23 a month	• 1,980 children retain SSI/SSP benefits • 3,015 children lose 50 percent of their public assistance income • 1,005 children lose 100 percent of their public assistance income • 4,020 children receive Food Stamp benefits of $72.23 a month
Direct Net Impact on Economy	• None	• $ 7.8 Million/year in lost cash benefits • $1.8 Million/year in additional Food Stamp benefits	• $ 15 Million/year in lost cash benefits • $3.5 Million/year in additional Food Stamp benefits
Direct Impact on County	• None	• None	• None
Key Assumptions	• State safety net is established to cover children who lose SSI	• 35 percent of children being reviewed will lose eligibility for SSI/SSP • 75 percent of children losing SSI migrate to AFDC	• 67 percent of children being reviewed will lose eligibility for SSI/SSP • 75 percent of children losing SSI migrate to AFDC

Low Impact Scenario - Assuming that the state of California establishes a state-funded safety net for disabled children (at the current benefit level), even those children losing eligibility for SSI will continue to receive cash assistance. If these assumptions hold true, the changes in the eligibility requirements will have no fiscal or other impact on disabled children in Los Angeles County.

Medium Impact Scenario - Assuming that the state of California does not establish a state-funded safety net for disabled children, there will certainly be some impact on a

14 Children's Defense Fund. 11/1/96. "Special Welfare Update: Children's SSI." HN3208@handsnet.org.

15 Children's Defense Fund, ibid.

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number of children in Los Angeles County. Should the actual disqualification rate turn out to be only half the 67 percent mentioned above, or approximately 35 percent, this would mean that 2,100 disabled children in Los Angeles County would lose eligibility for average SSI/SSP monthly benefits of $497.19. Based on the assumption included in the 1996-97 Governor's Budget, that 75 percent of disabled children losing SSI will migrate to AFDC[16], 1,575 (of the 2,100 children losing SSI) in Los Angeles County would migrate. This would result in their receiving an average of $248 a month[17] instead of their current $497.19, a 50 percent reduction in their income. The remaining 525 children who lose SSI would receive no public assistance. Loss of SSI benefits to 2,100 children would translate into a withdrawal of over $12.5 million a year from the economy. However, $4.7 million a year could be recouped by those 1,575 children migrating to AFDC. In addition, the 2,100 children no longer receiving SSI would be eligible for Food Stamp benefits averaging $72.23 a month or $1.8 million a year. Including the AFDC and Food Stamp benefits, the net loss to the local economy would be $6 million a year.

High Impact Scenario - Combining the assumption that California fails to establish a state-funded safety net with a higher assumed loss of benefit rates, this final scenario portends a much greater impact on disabled children in Los Angeles County. A 67 percent disqualification rate would translate to 4,020 disabled children losing their SSI/SSP benefits. If 75 percent (or 3,015) of these children migrate to AFDC, their monthly benefits would also be reduced from $497.19 to $248 a month. The remaining 1,005 children would receive no monthly public assistance. Loss of SSI benefits in this case would be approximately $24 million a year but the 3,015 children migrating to AFDC would recover $9 million a year. The 4,020 children losing SSI could also receive monthly Food Stamp benefits of $72.23 a person, or $3.5 million a year. Thus the overall loss to the local economy would be $11.5 million a year.

Drug-Alcohol Related Primary Disorder - Unless SSI recipients currently eligible due to drug or alcohol related disabilities can re-qualify under other disabilities, they will be cut off from future SSI/SSP benefits. Estimates of how many individuals with substance abuse-related disabilities will actually re-qualify range from 50 to 75 percent of all 5,616 such recipients in Los Angeles County. After reviewing 20 percent of the re-determination cases pending, the Social Security Administration (SSA) has reported that nationally,

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16 California Department of Finance. 1996. "Governor's Budget Summary: Health and Welfare." <http://www.dof.ca.gov/html/budgt6-7/h&W.htm.>

17 $248 is the average monthly AFDC benefit for a child as of August of 1996 according to the State of California Health and Welfare Agency, Department of Social Services, 8/96. "Public Assistance: Facts and Figures."

slightly less than half will re-qualify under other disability categories.[18] According to the Western Center on Law and Poverty the number of those likely to re-qualify could actually be as high as 75 percent.

In our scenarios, we have assumed that 50 percent of those individuals losing SSI will move to General Relief. It is quite feasible, however, that this percentage could be much higher. Although there is greater stigma attached to the receipt of General Relief, factors exist which could force individuals losing SSI to turn to this form of public assistance. According to the Information Services Bureau's *Selected Recipient Profiles for the Month of January 1995*, 98.9 percent of drug addicted SSI/SSP recipients in California reported no other source of income. This suggests that loss of SSI/SSP benefits could force a higher proportion of these individuals onto General Relief.

Summary Table 3C-2: Substance Abusers Losing SSI

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• 4,212 individuals with substance abuse disabilities retain their SSI/SSP • 702 individuals with substance abuse disabilities lose their SSI/SSP and 57 percent of their public assistance income • 702 individuals with substance abuse disabilities lose their SSI/SSP and 100 percent of their public assistance income • 1,404 will lose SSI but receive Food Stamp benefits of $72.23/month	• 2,808 individuals with substance abuse disabilities retain their SSI/SSP • 1,404 individuals with substance abuse disabilities lose their SSI/SSP and 57 percent of their public assistance income • 1,404 individuals with substance abuse disabilities lose their SSI/SSP and 100 percent of their public assistance income • 2,808 will lose SSI but receive Food Stamp benefits of $72.23/month	• 2,808 individuals with substance abuse disabilities lose their SSI/SSP and 57 percent of their public assistance income • 2,808 individuals with substance abuse disabilities lose their SSI/SSP and 100 percent of their public assistance income • 5,616 will lose SSI but receive Food Stamp benefits of $72.23/month
Direct Net Impact on Economy	• $ 8.2 Million/year in lost SSI/SSP benefits • $1.2 M/year in additional Food Stamp benefits	• $ 16.4 Million/year in lost SSI/SSP benefits • $ 2.4 M/year in additional Food Stamp benefits	• $ 32.9 Million/year in lost SSI/SSP benefits • $ 4.9 M/year in additional Food Stamp benefits
Direct Impact on County	• $ 1.8 Million/year in additional GR benefit costs	• $ 3.5 Million/year in additional GR benefit costs	• $ 7.1 Million/year in additional GR benefit costs
Key Assumptions	• 75 percent re-qualification rate for individuals with substance abuse related disabilities • 50 percent migration rate from SSI to GR	• 50 percent re-qualification rate for individuals with substance abuse related disabilities • 50 percent migration rate from SSI to GR	• No re-qualification occurs for individuals with substance abuse related disabilities • 50 percent migration rate from SSI to GR

[18] Testimony of Carolyn Colvin, Deputy Commissioner for Programs and Policy of the Social Security Administration before the California State Senate, Health and Human Services Committee. 10/10/96.

Low Impact Scenario - Assuming that 75 percent of SSI/SSP recipients with substance abuse related disabilities qualify under other disabilities, approximately 1,400 individuals would lose monthly SSI/SSP benefits which now average $488. If half of these individuals migrate to GR, they would receive reduced monthly benefits of $210, a 57 percent drop in income, while the remaining 700 individuals would lose all public assistance income, a reduction in individual income of $6.4 million a year. However, all 1,404 individuals losing SSI could apply for and receive average Food Stamp benefits of $72.23 a month, or $1.2 million a year. The overall loss to the economy would be $8.2 million a year in lost SSI payments minus the $1.2 million a year in Food Stamp benefits, a net loss of $7 million a year. The County would have to pick up the cost of $1.8 million a year in additional GR payments, but because this is an internal shift of County expenditures, there is no additional impact on the local economy.

Medium Impact Scenario - Assuming that the re-qualification rate for those substance abuse-related disabled people receiving SSI/SSP is closer to the 50 percent reported by the SSA, the number losing their monthly benefits would increase to over 2,800 individuals. Again assuming a 50 percent rate of migration to GR, approximately 1,400 individuals would have their monthly benefits reduced to $210 while the remaining 1,400 would lose all of their public assistance income. If the 2,800 individuals no longer receiving SSI received Food Stamp benefits, this would come to $2.4 million a year. In this case, the total population would experience a net loss in individual income of $10.5 million a year. The impact on the economy would be the loss of $16.4 million a year in SSI benefits minus the gain of $2.4 million a year in Food Stamp benefits, or a net loss of $14 million a year. The County would have to pay an additional $3.5 million a year in GR benefits.

High Impact Scenario - Were none of the individuals currently receiving SSI/SSP under a substance abuse related disability able to re-qualify for SSI assistance, over 5,600 individuals in Los Angeles County would lose monthly benefits that currently average $488. In this case, a 50 percent migration rate to General Relief would imply that 2,800 of these individuals would receive $210 a month, a 57 percent drop in income, while the remaining 2,800 who do not migrate would receive no public assistance. Subtracted from a net loss of $25.8 million a year in individual income, is the $4.9 million a year in Food Stamp benefits that could be received by the 5,600 individuals losing SSI. This would bring the overall loss to individuals to $20.9 million a year. The overall loss to the economy would be $28 million a year (calculated as the $32.9 million a year in lost SSI

benefits minus the $4.9 million a year gained in Food Stamps). The County would have to pay an additional $7.1 million a year in GR benefits.

Legal Immigrants - The population hardest hit by changes in the SSI program are the disabled and elderly legal immigrants currently receiving SSI, a population which comprised approximately 31 percent of the entire California SSI caseload in January of 1995.[19] Of the over 113,000 legal immigrants currently receiving SSI in Los Angeles County, 99,000 do not meet any of the exemption criteria that would keep them eligible for future benefits.[20] If they remain coupled with SSI eligibility, In-Home Supportive Services (IHSS) will also be terminated for legal immigrant recipients. Currently, of the over 27,000 legal immigrants in Los Angeles County receiving IHSS, over 22,000 do not meet any of the exemption criteria that would keep them eligible for future benefits. [21]

The actual number of legal immigrants to lose SSI and IHSS services will depend on the degree to which naturalization efforts in the county succeed. As with those SSI recipients qualified on the basis of substance abuse, many legal immigrants who lose SSI benefits are expected to apply for and receive General Relief. This could cause County public assistance costs to rise dramatically. Though the increased stigma attached to General Relief could prompt individuals to instead turn to other sources of assistance (e.g. relatives), a lack of family resources and financial desperation could drive those losing benefits into the General Relief program. Recall, too, that these immigrants are no longer eligible for food stamps. (See section on food stamps below). In the absence of data on which to base estimates of the share of legal immigrants who might turn to General Relief, a 50 percent migration rate is once again utilized in both the mid and High Impact scenarios for illustrative purposes. With regard to the potential loss of Medi-Cal, which is categorically linked to SSI eligibility, we assume in all cases that legal immigrants losing SSI or IHSS services will remain eligible for Medi-Cal through the Medically Needy program.

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[19] Information Services Bureau. 1995. "California Supplemental Security Income/State Supplementary Payment (SSI/SSP) Program: Selected Recipient Profiles For January 1995." Sacramento: California Department of Social Services. <http://www.dss.cahwnet.gov/isb/docs/reports.html

[20] Los Angeles County. 8/96. "Legal Immigrants on Aid and Welfare Reform. "

[21] Los Angeles County, ibid.

Summary Table 3C-3: Legal Immigrants Losing SSI

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• None	• 59,400 legal immigrants naturalize & retain their SSI/SSP benefits • 19,800 legal immigrants lose their SSI/SSP and have their public assistance benefits reduced 55 percent • 19,800 legal immigrants lose 100 percent of their public assistance benefits • 13,200 legal immigrants naturalize & retain their IHSS benefits • 8,800 legal immigrants lose their IHSS benefits	• 29,700 legal immigrants naturalize & retain their SSI/SSP benefits • 34,650 legal immigrants lose their SSI/SSP and have their public assistance benefits reduced 55 percent • 34,650 legal immigrants lose 100 percent of their public assistance benefits • 6,600 legal immigrants naturalize & retain their IHSS benefits • 15,400 legal immigrants lose their IHSS benefits
Direct Net Impact on Economy	• None	• $ 258.6 Million/year loss due to lost SSI/SSP and IHSS benefits	• $ 452.7 Million/year loss due to lost SSI/SSP and IHSS benefits
Direct Impact on County	• None	• $50 Million/year in additional GR benefit costs	• $ 87.5 Million/year in additional GR benefit costs
Key Assumptions	• All legal immigrants naturalize and retain benefits or are covered by a state safety net • SSI and IHSS eligibility is decoupled	• 60 percent naturalization rate for legal immigrants receiving SSI/SSP • 50 percent migration rate from SSI to GR • SSI and IHSS are not decoupled	• 30 percent naturalization rate for legal immigrants receiving SSI/SSP • 50 percent migration rate from SSI to GR • SSI and IHSS are not decoupled

Low Impact Scenario - The Low Impact scenario for this population of recipients would be that the state provides a safety net for legal immigrants at risk of losing eligibility, or else that such individuals naturalize and retain their SSI benefits. With no loss of cash assistance, there would be no resulting migration to the General Relief program. Furthermore, assuming that eligibility for SSI and IHSS are decoupled, none of the legal immigrants currently receiving IHSS lose their benefits.

Medium Impact Scenario - The Medium Impact scenario assumes that California does not establish a state-funded safety net for individuals who lose SSI/SSP benefits and that SSI and IHSS eligibility are not de-coupled. If a fairly high rate of naturalization occurs, many legal immigrants receiving SSI/SSP could retain their benefits. Allowing the 60 percent naturalization rate found in the INS report cited above, just over 59,000 of the legal immigrants at risk of losing SSI/SSP would retain benefits while nearly 40,000 would lose them. With a 50 percent rate of migration from SSI to General Relief, nearly 20,000 former legal immigrant SSI recipients would apply for and receive reduced benefits of $210 a month, a mere 45 percent of the monthly $461 in SSI/SSP benefits. The remaining 20,000 would lose all of their cash assistance. Applying the same rate of

naturalization to those receiving IHSS, nearly 9,000 of the total 22,000 legal immigrants with IHSS would lose those benefits.

In this case, there would be a loss of $219 million a year in SSI benefits but $50 million of this would be recouped through GR leading to an overall reduction of $169 million a year in individual income. The County would have to pay an additional $50 million a year in GR benefits. The overall loss to the economy would be the $219 million in lost SSI benefits plus an additional $39.6 million a year in lost wages formerly paid by the IHSS program, for a total loss of over $258 million a year.

High Impact Scenario - The High Impact scenario also assumes that California does not establish a state-funded safety net for individuals who lose SSI/SSP benefits and that SSI and IHSS eligibility are not de-coupled. Because the 60 percent naturalization rate above does not take into account the English proficiency and US Civics requirements included in the naturalization process, it is feasible that a much smaller proportion of legal immigrants will actually succeed in becoming US citizens. Thus, assuming only a 30 percent naturalization rate, nearly 30,000 of the legal immigrants at risk of losing SSI/SSP would retain benefits while nearly 70,000 would lose them. With a 50 percent rate of migration from SSI to General Relief, nearly 35,000 former legal immigrant SSI recipients would apply for and receive reduced cash benefits. The remaining 35,000 would lose all of their cash assistance. Applying the same rate of naturalization to those receiving IHSS, over 15,000 of the total 22,000 legal immigrants with IHSS would lose those benefits.

The loss of SSI benefits and migration to GR of 35,000 individuals would mean an overall loss of nearly $296 million a year in individual income. Additional GR benefits would cost the County over $87 million a year. Adding nearly $70 million a year in lost IHSS wages to the $383.4 million a year in lost SSI benefits, the local economy would experience a loss of over $452 million a year.

D. MEDI-CAL

While legislative efforts to block grant Medicaid funding failed in the 104th Congress, a number of provisions in H.R. 3734 and in state legislation are expected to impact individuals' eligibility for Medi-Cal, California's Medicaid program. The following scenarios estimate the potential numbers of individuals at risk of losing Medi-Cal coverage and calculate the resulting fiscal impact. It is important to note, however, that this impact includes only the dollars lost in federal and state Medi-Cal reimbursement funds to the

local economy. These funds currently go to reimburse both public and private facilities providing health care services in the region. In addition to lost Medi-Cal cost reimbursements, however, there will be additional fiscal and health impacts. These impacts, which will affect individuals, County and private health care facilities, are discussed in greater detail later in this study (See Section 4B: Health and Mental Health).

Legal Immigrants - Current and Future

Those at greatest risk of losing Medi-Cal coverage are legal immigrants. Under H.R. 3734 states can opt to render all current legal immigrants ineligible for Medi-Cal. While Governor Wilson has recently stated his intention to allow current legal immigrants continued Medi-Cal eligibility, the following scenarios depict a range of potential consequences should California in fact pursue such a bar. Furthermore, H.R. 3734 bars all future legal immigrants, with limited exceptions, from Medi-Cal for at least five years after arrival in the U.S. Because this five year bar is not optional, the fiscal impact of the five-year bar is included in all three - Low, Medium and High - Impact scenarios.

Previously, legal immigrants arriving in the United States were subject to deeming provisions which made them ineligible for most federal means-tested programs for the first three to five years.[22] Furthermore, a legal immigrant who utilized public assistance programs in the first five years after arrival was at risk of being found a "public charge" and deported. It is perhaps due to existing provisions that many government officials expect minimal impact as a result of the new provision barring future immigrants from federal means-tested programs for five years. While this might be true to some extent for future legal immigrants and their utilization of the SSI, AFDC and Food Stamp programs, it is not true of the Medi-Cal program.

Prior to passage of H.R. 3734, no provision existed to bar legal immigrants from receiving Medicaid coverage, via either deeming or other mechanisms, if they met the usual eligibility requirements. Now, however, legal immigrants will be barred from all non-emergency Medicaid services for the first five years after arriving in the United States and then many will remain ineligible due to the harsh deeming provisions which will be effective until naturalization. Refugees, asylees, aliens with deportation being withheld, veterans and individuals on active Armed Forces duty and their immediate family will be excepted from this bar.

In a study utilizing 1990 Census data, Borjas and Hilton (1996) found that when comparing households headed by native versus foreign-born individuals, there was little difference between the two with regards

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22 Fix, Michael, and Jeffrey Passel. 5/94. "Immigration and Immigrants: Setting the Record Straight." Washington, D.C.: Urban Institute.

to receipt of public cash benefits such as SSI and AFDC.[23] However, the difference between the two categories of households increased when non-cash benefits such as Food Stamps and Medicaid were taken into account. The highest gap existed with regard to the probability of a household member receiving Medicaid. Households with a native-born head had a 9.4 percent probability of receiving Medicaid compared with 15.4 percent for those with foreign-born heads suggesting that Medicaid services are of considerable importance to legal immigrant households.

Thus, approximately fifteen percent of households headed by foreign-born individuals currently receive Medicaid benefits. The number of future legal immigrants potentially denied Medi-Cal services in Los Angeles County can be estimated by calculating future immigration to the region and then multiplying this number by the 15 percent probability of receiving Medicaid. According to a Southern California Studies Center Metro Trends Report on Immigration, nearly 3.2 million immigrants are expected to arrive in California between 1990 and 1999 and another 3.3 million between 2000 and 2009. Between 1990 and 1994, approximately 39 percent of all immigrants arriving in California resided in Los Angeles County. Applying this same percentage to the projected future immigration, Los Angeles County can expect to receive approximately 124,000 immigrants a year between 1990 and 1999 and nearly 125,000 immigrants a year between 2000 and 2009. If this population has a 15 percent chance of Medi-Cal utilization, there would be approximately 18,600 legal immigrants a year who would have in the past been eligible but will now be denied Medi-Cal coverage.

This number is consistent with a Department of Health estimate that 44,000 legal immigrants arriving in California will be denied Medi-Cal each year.[24] Adjusting this for Los Angeles County, 39 percent, or nearly 16,000 of those being denied Medi-Cal would become Los Angeles residents. The difference between the two figures (18,600 and 16,000) could be accounted for by the exemption categories listed above which will allow some future immigrants to be eligible for Medi-Cal. It should be noted that the loss of Medi-Cal reimbursement is calculated here for each year's cohort of 16,000 immigrants for a one year period only. Thus we assume that each individual would remain on the Medi-Cal caseload for only one year and thus there would be no cumulative effect on the caseload. Undoubtedly, some portion of each year's 16,000 immigrants would actually remain on Medi-Cal longer than one year which would in effect increase the annual loss of Medi-Cal reimbursement funds.

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23 Borjas, George, and Lynette Hilton. 5/96. "Immigration and the Welfare State: Immigrant Participation in Means-Tested Entitlement Programs." *The Quarterly Journal of Economics.*

24 McDonnell, Patrick. 1997. "Welfare Overhaul Gets Mixed Reviews." *Los Angeles Times*, 1/11/97.

Summary Table 3D-1: Legal Immigrants Losing or Being Denied Medi-Cal Benefits

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• 16,000 future legal immigrants who would have been eligible and applied for Medi-Cal will be denied coverage	• 59,400 legal immigrants receiving SSI naturalize and retain Medi-Cal • 39,600 legal immigrants lose SSI and Medi-Cal • 1,486 legal immigrants receiving IHSS naturalize and retain Medi-Cal • 990 legal immigrants lose IHSS and Medi-Cal • 74,554 legal immigrants receiving AFDC naturalize and retain Medi-Cal • 49,702 legal immigrants receiving AFDC lose Medi-Cal • 45,956 legal immigrants receiving Medi-Cal Only naturalize and retain benefits • 30,638 legal immigrants lose their Medi-Cal Only benefits • 16,000 future legal immigrants who would have been eligible and applied for Medi-Cal will be denied coverage	• 29,700 legal immigrants receiving SSI naturalize and retain Medi-Cal • 69,300 legal immigrants lose SSI and Medi-Cal • 734 legal immigrants receiving IHSS naturalize and retain Medi-Cal • 1,733 legal immigrants lose IHSS and Medi-Cal • 37,277 legal immigrants receiving AFDC naturalize and retain Medi-Cal • 86,979 legal immigrants receiving AFDC lose Medi-Cal • 22,979 legal immigrants receiving Medi-Cal Only naturalize and retain benefits • 53,615 legal immigrants lose their Medi-Cal Only benefits • 16,000 future legal immigrants who would have been eligible and applied for Medi-Cal will be denied coverage
Direct Net Impact on Economy	• $38.4 Million/year in lost potential Medi-Cal reimbursement funding	• $405.2 Million/year in lost/denied Medi-Cal reimbursement funding	• $680.2Million/year in lost/denied Medi-Cal reimbursement funding
Direct Impact on County	• None	• None	• None
Key Assumptions	• State does not exercise option to ban all legal immigrants from Medi-Cal • Current legal immigrants on SSI/IHSS either naturalize and retain benefits or lose SSI benefits but qualify for Medi-Cal under Medically Needy Program • Legal immigrants are not barred from TANF	• State bars all legal immigrants from Non-emergency Medi-Cal services • 60 percent naturalization rate for legal immigrants	• State bars all legal immigrants from Non-emergency Medi-Cal services • 30 percent naturalization rate for legal immigrants

Low Impact Scenario - Assuming that California does not implement an all-out bar of legal immigrants from Medi-Cal, this provision would have no impact in Los Angeles County. Nevertheless, future legal immigrants would still be barred from receiving Medi-Cal benefits. If 16,000 of those legal immigrants arriving in Los Angeles each year are denied Medi-Cal benefits, reimbursed at an annual rate of $2,400 per recipient,[25] the total loss of

25 California Legislative Analyst's Office. 11/21/96. "California's Fiscal Outlook Chapter 4: Expenditure Projections." Sacramento: California Legislative Analyst's Office.

potential state and federal Medi-Cal funds to the Los Angeles economy translates to $38.4 million a year.

Medium Impact Scenario - Assuming that the state does bar all legal immigrants from non-emergency Medi-Cal services, a large number of individuals would be impacted in Los Angeles County. Allowing once again a 60 percent naturalization rate (found in the INS report cited above) would mitigate this impact considerably. Nevertheless, with 40 percent of legal immigrants failing to naturalize, there would be in Los Angeles County alone:

- nearly 40,000 legal immigrant SSI recipients losing Medi-Cal,
- nearly 1,000 legal immigrant IHSS recipients losing Medi-Cal,
- nearly 50,000 legal immigrant AFDC recipients losing Medi-Cal,
- over 30,000 legal immigrant Medi-Cal Only recipients losing Medi-Cal and
- 16,000 future legal immigrants denied Medi-Cal.

Total loss of Medi-Cal coverage in this case would cost the local economy over $405 million a year in Medi-Cal reimbursement payments.

High Impact Scenario - Also assuming that the state bars all legal immigrants from Medi-Cal services, but that only a 30 percent naturalization rate occurs, a significantly larger impact would be felt in Los Angeles County. With 70 percent of legal immigrants failing to naturalize, there would be:

- nearly 70,000 legal immigrant SSI recipients losing Medi-Cal,
- over 1,700 legal immigrant IHSS recipients losing Medi-Cal,
- nearly 87,000 legal immigrant AFDC recipients losing Medi-Cal,
- over 53,000 legal immigrant Medi-Cal Only recipients losing Medi-Cal and
- 16,000 future legal immigrants denied Medi-Cal.

Total loss of Medi-Cal coverage in this case would cost the local economy over $680 million a year in Medi-Cal reimbursement payments.

Other Individuals At Risk of Losing Medi-Cal Benefits

Some individuals who lose SSI because of legal immigrant provisions or new eligibility definitions may also lose Medi-Cal because the categorical link between the two programs will no longer be in place. This population includes legal immigrants, substance abusers and disabled children no longer eligible for SSI

cash benefits. Currently, it seems likely that the majority of legal immigrants and substance abusers losing SSI will retain eligibility for Medi-Cal through the Medically Needy program since the definition of disabled individuals has not changed for the purpose of ascertaining eligibility for Medi-Cal. And while there may be some individuals who fail to respond to notices from the Social Security and Medi-Cal administrations, and so in the end lose Medi-Cal coverage, it is assumed here that all former SSI recipients, excepting disabled children, will retain Medi-Cal. For children no longer eligible for SSI benefits, some proportion of recipients can be expected to lose their no-share-of-cost Medi-Cal coverage.

Summary Table 3D-2: Disabled Children Losing Medi-Cal Benefits

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• None	• 315 children losing SSI also lose Medi-Cal	• 603 children losing SSI also lose Medi-Cal
Direct Net Impact on Economy	• None	• $ .76 Million/year in lost Medi-Cal reimbursement funding	• $ 1.4 Million/year in lost Medi-Cal reimbursement funding
Direct Impact on County	• None	• None	• None
Key Assumptions	• All children who lose SSI retain Medi-Cal coverage	• 15 percent of children who lose SSI eligibility also lose Medi-Cal	• 15 percent of children who lose SSI eligibility also lose Medi-Cal

Low Impact Scenario - In accordance with the Low Impact scenario for children losing SSI (see SSI section above), none of the 6,000 children sent re-certification notices would lose either SSI or Medi-Cal benefits. Thus, there would be no individual or fiscal impact in this case.

Medium Impact Scenario - The Congressional Budget Office has estimated that 15 percent of children who lose their SSI benefits will also lose their Medi-Cal coverage. Based on this estimate, if 2,100 children lose eligibility for SSI, 315 of them would also lose Medi-Cal benefits. Multiplying this number by the average annual Medi-Cal cost per recipient, $2,400, the overall loss of Medi-Cal reimbursement funding to the local economy would be $760,000 year.

High Impact Scenario - If 4,020 children lose their SSI benefits, 15 percent would translate to 603 children also losing Medi-Cal. Loss of state and federal Medi-Cal reimbursement for this population would mean $1.4 million dollars in lost revenue to the local economy a year.

Undocumented Immigrants

Currently, undocumented immigrants are not eligible for any federally funded, means-tested programs. They have been, however, eligible for state-funded emergency Medi-Cal coverage including pre-natal care

for pregnant women. The decision in California to ban pre-natal care to undocumented immigrants is expected to have a large impact on the health of this population. It is estimated that 38,000 to 40,000 women could lose pre-natal care in Los Angeles County alone.[26] The total loss of Medi-Cal reimbursements for pre-natal care for these women exceeds $18 million a year to both public and private service providers.[27] Without Medi-Cal funding, the only chance for this population of women to receive pre-natal care is if the County continues to provide and fund these services with its own revenue.

Summary Table 3D-3: Undocumented Women Losing Pre-Natal Care

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• None	• 7,400 undocumented women receive no pre-natal care	• 30,000 undocumented women receive no pre-natal care
Direct Net Impact on Economy	• $ 18 Million/year in lost Medi-Cal reimbursement	• $18 Million/year in lost Medi-Cal reimbursement • $11.5 Million/year in Medi-Cal reimbursements to public/private health care facilities to cover health care costs for newborn infants	• $ 18 Million/year in lost Medi-Cal reimbursement • $46 Million/year in Medi-Cal reimbursements to public/private health care facilities to cover health care costs for newborn infants
Direct Impact on County	• $27.6 Million/year in costs for providing pre-natal services without Medi-Cal reimbursement	• $17.2 Million/year in costs for providing pre-natal services without Medi-Cal reimbursement	• No costs for providing pre-natal services • Medi-Cal reimbursement funds for health care for infants in first year of life outweigh lost Medi-Cal reimbursements for pre-natal care by $13.8 Million/year
Key Assumptions	• County continues to provide pre-natal services despite lost Medi-Cal funding	• County continues to provide pre-natal services despite lost Medi-Cal funding but some women no longer apply for services because they are afraid to or do not know they are eligible	• County does not continue to provide pre-natal services despite lost Medi-Cal funding

Low Impact Scenario - Our Low Impact scenario assumes that all 40,000 undocumented women will continue to receive pre-natal care from the County. While this is clearly the Low Impact scenario for the women and unborn children involved, the costs to the County are high. Assuming an average cost of $460[28] per mother, pre-natal services for this population will cost the County at least $18 million a year. This is approximately the amount of Medi-Cal reimbursements that will be lost to the local economy if the state no longer funds these services for undocumented women. Overall, the County would lose an estimated $9 million in Medi-Cal reimbursement funding as well as pick up $18 million a

26 Memo from Mark Finucane, Director of County of Los Angeles, Department of Health Services. 12/3/96. "Subject: Prenatal Care for Undocumented Women - Preliminary Review."

27 Finucane, ibid.

28 $460 is the Los Angeles County DHS estimate of Medi-Cal reimbursement in the County for each woman receiving pre-natal care.

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year in costs for continuing to provide this population with pre-natal care, bringing the overall loss to the County to over $27 million.

Medium Impact Scenario - Here we assume that the County continues to provide pre-natal care to pregnant undocumented women despite the withdrawal of Medi-Cal reimbursements. However, it is also assumed that some women, perhaps 25 percent, will not seek pre-natal care either out of fear of being deported or because they do not know these services are still available free of cost. Therefore, 10,000 women would not seek County funded pre-natal care and 74 percent, or 7,400 of these would not seek pre-natal care at all.[29]

The Institute of Medicine has estimated that every $1 in pre-natal care results in a savings of $3.38 in health care costs in the infant's first year of life. Accordingly, if these 7,400 women do not receive pre-natal care, costing an estimated $460 per mother, future health care costs could reach $11.5 million a year. While these costs would be reimbursed by Medi-Cal because the infants would be U.S. citizens, the state would have to deduct this amount from the $18 million a year cut from pre-natal care for a net savings of $6.5 million a year. This same $6.5 million a year would be the loss to the local economy. In addition, the County would have to pay an additional $13.8 million a year in pre-natal care costs for the 30,000 women still receiving services. The County would also lose $9 million a year in former Medi-Cal reimbursements for providing such services but would receive approximately half of the Medi-Cal reimbursements coming in for future health care costs for the newborns in their first year. Overall, the County would lose over $17 million a year.

High Impact Scenario - A High Impact scenario would entail all 40,000 women being denied pre-natal care due to the County's failure to provide such services, and 74 percent of this group (30,000) not seeking care at their own expense. The County would lose over $9 million a year in Medi-Cal reimbursements for pre-natal care but would not have to pay for provision of these services. However, health care costs for the newborns are estimated at $46 million a year, half of which would go to reimburse the County for its share of these costs. Overall, both the County and the local economy would emerge with a net gain in Medi-Cal reimbursement funding (+$13.8 million and +$28 million a year respectively) because health care costs for the infants would exceed the cost of pre-natal

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29 Kuiper, H., M. Miller, G. Richwald, and R. Bragonier. 1996. "Denial of Publicly Funded Pre-Natal Care for Undocumented Women: Impact on Communicable Disease Control in Los Angeles County - Report on Preliminary Findings."

care for the pregnant mothers. While this appears as a net fiscal gain, the human impact would be large: many of these 40,000 infants would be born with preventable health care problems. Also, the increased Medi-Cal costs associated with such problems would have to be born by the state and federal government.

E. Food Stamps

General Food Stamp Population

Some of the welfare reform provisions pertaining to the Food Stamp program will apply to the entire Food Stamp population. These provisions include an across-the-board reduction in Food Stamp benefits and changes in the way benefits are determined. The latter involve changes in the household definition as well as deduction and resource limits. The Legislative Analyst's Office (LAO) has calculated that in California, the federally-mandated 3 percent across-the-board Food Stamp cut will result in a loss of $58 million in FY 1996-97 and $491 million from years 1996 to 2002 (or approximately $82 million a year).[30] The LAO has also estimated that changes in the household definition alone will cost California $7 million in Food Stamp benefits in 1996-97 and $113 million from 1996 to 2002, while changes to allowable deductions and resource limits will result in a loss of $32 million in Food Stamp benefits in 1996-97 and $776 million from 1996-2002.[31] Failure or inability to comply with newly-instituted work requirements, mandated for all childless, able-bodied recipients, could also result in a substantial loss of Food Stamp benefits in Los Angeles County.

Summary Table 3E-1: Individuals Losing Food Stamps

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• Entire Caseload gets benefits reduced • All employable food stamp recipients retain food stamp benefits	• Entire Caseload gets benefits reduced • 11,250 employable food stamp recipients retain food stamp benefits • 3,750 employable food stamp recipients lose food stamp benefits	• Entire Caseload gets benefits reduced • 15,000 employable food stamp recipients lose food stamp benefits
Direct Net Impact on Economy	• $ 34 Million/year loss in food stamp cuts in FY 1996/97 (Year 1) • $ 89.8 Million/year loss in food stamp cuts from 1997 - 2002 (Years 2-6)	• $ 37.3 Million loss in food stamp cuts in FY 1996/97 (Year 1) • $ 93.1 Million/year loss in food stamp cuts from 1997 - 2002 (Years 2-6)	• $ 47 Million loss in food stamp cuts in FY 1996/97 (Year 1) • $ 102.8 Million/year loss in food stamp cuts from 1997 - 2002 (Years 2-6)
Direct Impact on County	• None	• None	• None

30 California Legislative Analyst's Office. 8/20/96. "Federal Welfare Reform (HR 3734): Fiscal Effect on California." Sacramento: California Legislative Analyst's Office.

31 California Legislative Analyst's Office, ibid.

Summary Table 3E-1: Individuals Losing Food Stamps - continued

Key Assumptions	• Across the board benefit reductions and changes in the deductions, resource limits and household definition are implemented • All employables will successfully participate in Workfare program and meet work requirements	• Across the board benefit reductions and changes in the deductions, resource limits and household definition are implemented • All but 25 percent of employables will successfully participate in Workfare program and meet work requirements	• Across the board benefit reductions and changes in the deductions, resource limits and household definition are implemented • All 15,000 employables fail to meet work requirements

Low Impact Scenario - In Los Angeles County, the entire Food Stamp caseload, 414,614 households,[32] will lose 3 percent of their monthly Food Stamp benefits or an average of $65 per Food Stamp household a year. Multiplying the LAO estimate of the Food Stamp benefit loss due to this benefit reduction (above) by the percentage of Food Stamp recipients in Los Angeles County (35 percent), yields a loss of $20.3 million in 1996-97 and $171.9 million from 1996-2002. Repeating this process for the other provisions results in a loss of Food Stamp benefits to Los Angeles County of $11.2 million in 1996-7 and $271.6 million from 1996 to 2002 due to changes in the deductions and resource limits, and $2.5 million in 1996-97 and $39.6 million from 1996 to 2002 due to changes in the household definition. Assuming that all able-bodied Food Stamp recipients either work a sufficient number of hours or participate in the County Workfare program (currently restricted to the General Relief population but planned for expansion by the County to include other recipient populations) and successfully meet the new work requirements, there would be no additional loss of benefits or impact. Thus the overall loss to individuals and the economy is $34 million in 1996-97 and $483 million over 6 years due to lost or reduced Food Stamp benefits.

Medium Impact Scenario - The across-the-board cut in Food Stamp benefits and changes to the household definition and benefit calculations affecting the entire Food Stamp caseload would yield the same impact as in the Low Impact scenario above. However, assuming that not all able-bodied Food Stamp recipients comply with work requirements, there would be some additional loss of benefits. Allowing that 25 percent of the 15,000[33] employable individuals needing to satisfy the work requirements fail to do so, 3,750 Food Stamp recipients would lose their benefits in Los Angeles County. This

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[32] Walsh, Jessica, and Jennifer Wolch. 1996. "Poverty and Welfare in Los Angeles 1980-95," in Michael Dear (ed.) *Atlas of Southern California*. Los Angeles: Southern California Studies Center, University of Southern California.

[33] Estimated number of employable Food Stamp recipients still needing to meet work requirements as of February 1997, per Mary Robertson, Los Angeles County Department of Public Social Services Food Stamps/GR Special Section.

would translate to an additional loss of $3.3 million a year in Food Stamp benefits. Therefore, the overall loss in Food Stamp benefits to individuals and the economy is $37.3 million in 1996-97 and $502.9 million between 1996 and 2002.

High Impact Scenario - In this case, over and above losses resulting from the across-the-board cut in Food Stamp benefits and changes to the household definition and benefit calculations, we assume that the County Workfare program is not expanded to include the 15,000 employable Food Stamp recipients needing to meet the work requirement. Under such circumstances, all 15,000 would lose their Food Stamp benefits worth $13 million a year. In this case, the overall loss to individuals and the economy would be $47 million a year in 1996-97 and $561 million between 1996 and 2002.

Legal Immigrants Receiving Food Stamps

Those Food Stamp recipients hardest hit by new provisions are legal immigrants. As of November 1996, there were an estimated 150,000 legal immigrants at risk of being completely barred from receiving Food Stamp benefits.[34] Because these individuals do not fall into any of the exemption categories, such as veterans/active military or individuals with a 10 year work history, only naturalization can help them to retain their Food Stamp benefits. In addition, individuals with refugee/asylum/withheld deportation status, not included in the 150,000, will be limited to only five years of receiving Food Stamp benefits.

Summary Table 3E-2: Legal Immigrants Losing Food Stamps

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• 120,000 legal immigrants naturalize and retain food stamps • 30,000 legal immigrants lose food stamp benefits	• 90,000 legal immigrants naturalize and retain food stamps • 60,000 legal immigrants lose food stamp benefits	• 45,000 legal immigrants naturalize and retain food stamps • 105,000 legal immigrants lose food stamp benefits
Direct Net Impact on Economy	• $ 24 Million/year in lost food stamp benefits	• $ 48 Million/year in lost food stamp benefits	• $ 84 Million/year in lost food stamp benefits
Direct Impact on County	• None	• None	• None
Key Assumptions	• 80 percent naturalization rate for legal immigrants receiving food stamps	• 60 percent naturalization rate for legal immigrants receiving food stamps	• 30 percent naturalization rate for legal immigrants receiving food stamps

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34 Los Angeles County. 11/14/96. "Ten Major Impacts of Welfare Reform in Los Angeles County."

Low Impact Scenario - Assuming that 80 percent of the 150,000 legal immigrants (or 120,000) at risk of losing Food Stamp benefits are able to naturalize[35], they would retain their benefits while the remaining 30,000 would lose their Food Stamp benefits. According to Los Angeles County estimates, this would translate into a loss of $24 million a year.[36]

Medium Impact Scenario - Utilizing a more modest rate of naturalization, such as the 60 percent estimated by the INS and used in the SSI and Medi-Cal scenarios above, results in 60,000 legal immigrants failing to naturalize and as a result, losing their Food Stamp benefits. In this case, there would be a $48 million a year loss in Food Stamp benefits.

High Impact Scenario - If only 30 percent of the 150,000 legal immigrants at risk of losing Food Stamps were able to meet the naturalization requirements, 105,000 individuals would lose benefits. This yields a loss of Food Stamp benefits worth $84 million a year to the local economy.

F. General Relief

Since many aspects of the higher-level reform-driven programs have yet to be designed, predicting the impact of reform on the General Relief population in Los Angeles County is a difficult task. If the County opts to implement a three month limit for employable recipients of General Relief, it would impact approximately 60 percent of the entire General Relief caseload.[37] Substituting cash benefits with in-kind benefits or reducing the benefit level would also impact the entire General Relief caseload of almost 100,000 individuals. And if the County were to discontinue General Relief entirely, as allowed under the Governor's proposed plan, this population would be entirely cut off from all cash assistance. Because discussion of reforming the General Relief program has just begun, the following scenarios should not be construed as predictions of likely state and/or county action. Rather, they depict a range of possible outcomes likely to result should various reform options currently on the table be adopted.

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35 Because this is a low impact scenario, we assume a rate of naturalization even higher than that estimated by the INS source cited in above.

36 Los Angeles County, ibid.

37 Los Angeles County Department of Social Services. 9/96. "Statistical Report: GR Approved Caseload - By District."

Summary Table 3F-1: Individuals Losing General Relief

	Low Impact Scenario	*Medium Impact Scenario*	*High Impact Scenario*
Direct Impact on Individuals	• None	• 38,358 GR recipients (unemployables) retain full GR benefits • 57,538 GR recipients (employables) are limited to three months of benefits a year and then lose 100 percent of GR income	• 38,358 GR recipients (unemployables) retain monthly GR benefits but they are reduced to $100 a month • 57,538 GR recipients (employables) are limited to three months of benefits a year (at $100/month) and then lose 100 percent of GR income
Direct Net Impact on Economy	• None	• None	• None
Direct Impact on County	• None	• $ 108.7 Million/year savings in reduced GR benefit costs	• $ 179.2 Million/year savings in reduced GR benefit costs
Key Assumptions	• Three month time limit for employables is not implemented • GR benefits are not reduced	• Three month time limit for employables is implemented • GR benefits are not reduced	• Mandate to provide GR eliminated • Three month time limit for employables is implemented • GR benefits reduced to $100 a month for all recipients

Low Impact Scenario - Should Los Angeles County opt *not* to adopt a three month time limit for employable General Relief recipients, there would be no loss of benefits to this population. With no in-kind benefits being given and no further reduction in monthly General Relief payments, the average benefit would remain at approximately $210 a month and there would be no impact on individuals, the County or the economy.

Medium Impact Scenario - Assuming that a three month limit is implemented, approximately 60 percent of the entire General Relief caseload, or over 57,000 individuals, would receive monthly benefits for only three months a year. While saving the County $109 million a year in benefit payments (assuming that benefit levels are not cut) individuals would lose that same amount in assistance. Loss of GR benefits by employables would result in a reduction of $109 million a year in individual income. Because the County would save an equal amount in GR payments, spent elsewhere in its budget, there would be no overall impact on the economy.

High Impact Scenario - If the California Welfare and Institutions Code Section 17000 is eliminated, a massive scaling back of the General Relief program at the county level would be feasible. Here we assume that a three month time limit for employable recipients is implemented as well as a drastic cut in monthly benefits, from $210 to $100 a month, for all GR recipients. Reduced benefits for the unemployable population would lead to a reduction in individual income of over $51 million a year. The three month time

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limit combined with reduced benefits would mean an additional loss of individual income of nearly $128 million a year, for an overall loss of nearly $180 million a year. However, because the County would save an equal amount in reduced GR payments available for spending on other budget items, there would be no overall impact on the local economy.

Another option not incorporated into the above scenarios is a state takeover of the General Assistance (statewide) program. A state takeover would involve the state setting the basic program framework for GA including grant levels and eligibility requirements, while counties would retain maximum control over administering the program. Funding would be provided through a state-county partnership to ensure that counties would have sufficient resources to assist their residents most in need of financial assistance. Such an arrangement could prove beneficial for several reasons. Recent welfare reform provisions, especially those pertaining to legal immigrants, will undoubtedly generate considerable growth in the GA caseload. In past years, however, the counties' ability to increase tax revenue has been extremely limited, which may prompt them to disentitle a variety of recipient sub-populations (i.e. those considered less "deserving" of assistance, such as able-bodied single men). The state could provide needed GA funding from state general funds and prevent such dislocation. One source of funding which could be immediately directed into the GA program is the State Supplement Payment (SSP) savings resulting from cuts, primarily among legal immigrants, in SSI eligibility in California; another is TANF block grant fund spending mandated under MOE provisions.

Section 4: Indirect Impact of Welfare Reform in Los Angeles County

Welfare reform will have a host of secondary effects in addition to the direct impacts of legislative and program changes on public assistance recipients. In this section, we consider a variety of such indirect impacts as they may be played out in Los Angeles County. Specifically, we examine impacts on:

- business, employment and the economy;
- health access and services for poor people;
- child and family welfare;
- housing and homelessness;
- hunger;
- crime; and
- neighborhood effects.

In some instances, where sufficient information and methods exist to make specific quantitative impact estimates, we provide alternative estimates on the basis of our three corresponding scenarios. Thus, for example, we present estimates of job loss associated with reductions in pubic assistance benefit streams

under Low, Medium and High Impact scenarios (in the aggregate, and for work requirement/time-limit provisions separately). In other areas where effects are expected, quantitative estimates are difficult or impossible to arrive at, due to data constraints; here, we restrict ourselves to presenting a qualitative picture of how the package of welfare reforms may unfold to impact residents of the county.

A. The Economy

The national economy has recently climbed out of the recession that characterized the early 1990s and entered a growth phase. Since the level of welfare caseloads is closely tied to the rate of employment growth, caseloads have fallen dramatically across the nation. But California has lagged behind in the recovery; and within the state, Los Angeles County in particular has yet to regain the enormous numbers of jobs that were lost during the recession. During the 1990-96 period, only five major industry groups have experienced any positive employment growth (motion pictures, business services, apparel and textiles, health services, and automobile and miscellaneous repair services).[1] The county's economy only created about 36,000 jobs in 1995, and 55,000 jobs during 1996.

As a result, unemployment grew 19% between 1984 and 1990, climbing until 1992 when rates began to fall as many discouraged job seekers withdrew from the labor market.. These economic circumstances are reflected in the rapid rise in welfare caseloads of the early 1990s, and the fact that the rate of caseload decline has been much slower (18% nationally versus less than 5% in Los Angeles County[2]). The weak economic context is also evidenced by large numbers of individuals now seeking work. On average there were 368,000 officially unemployed job seekers in 1996, in addition to 127,400 discouraged workers and 99,300 involuntary part-time workers competing for available job slots.[3] In addition, competition exists between such un/under-employed workers and new labor market entrants (such as teenage and other young workers, and women entering/re-entering the labor force). Moreover, due to weak economic conditions, job turn-over rates have been low relative to more prosperous times) since people are less apt to give up a job when the job market is weak), leading to lower levels of frictional unemployment and job availability. In contrast to state-wide projections, expected growth rates for the county are essentially flat, and the county remains approximately 300,000 jobs short of its pre-recession peak.[4]

1 Daniel Flaming, "Job Opportunities in Los Angeles County," Paper presented at the State of California Health and Welfare Agency, Welfare Reform Public Forum, October 28, 1996.

2 DeParle, Jason. 1997. "A Sharp Decrease in Welfare Cases is Gathering Speed." *New York Times*, 2/22/97, p. 1.

3 Flaming, ibid.

4 Don Lee, "State's Job Growth for '96 Rosier than Thought," Los Angeles Times, March 1, 1997. D1, 2.

The Nature of Economic Impacts

Benefit payments to individuals and families (such as SSI or TANF), as well as in-kind transfers payments (such as Food Stamps) are used by recipients to purchase food, clothing, housing, medical services, transportation, and goods and services in a variety of other consumer categories. Such expenditures, in turn, generate sales and rents that create employment for workers in a broad range of occupations and industrial sectors. As detailed in the Section 3, welfare reform will produce numerous restrictions on benefit eligibility and reductions in benefit levels in various federally- and state-funded programs. Together, these changes in the level of public assistance flowing into the region will cause reduced consumer purchasing power, loss of business revenues and subsequently job losses. Ultimately, due to economic multiplier effects, welfare reform-related job losses may exceed those associated only with the direct withdrawal of public assistance dollars from the region.

There are several ways in which reductions in benefit streams may be offset by new flows of funds associated with welfare reform provisions and existing programs. Specifically, H.R. 3734 includes Maintenance of Effort requirements as detailed in Section 3.B (Work Requirements/Time Limits). These MOE requirements channel state funds into the county. In addition, cash income reductions may be partially offset by increases in Food Stamp benefit levels, for those who remain eligible for this program. Similarly, some share of TANF recipients terminated from aid can be expected to turn to the Foster Care system because they can no longer care for their children, or because their children are removed from the home due to findings of abuse or neglect. Food Stamps is federally funded, and 70 percent of Foster Care costs are covered by federal and state dollars, and thus increases in either of these caseloads would mean nonlocal money flowing into the county's economy.[5]

Our direct impact estimates also suggest that, depending upon the scenario, the County may be required to shoulder significant additional burdens associated with welfare reform provisions. These arise primarily from increases to the GR caseload, additional unreimbursed medical service expenditures, and their share of added Foster Care costs. Given current legal limitations on increasing property taxes and local public spending (i.e. Propositions 13 and 4), we assume that such added costs will be met by reductions in other areas of the County budget. Our estimates thus imply no additional revenue generation efforts on the part of the County in the form of increased taxes, new bond issues or other fiscal instruments that might influence the local economy. These estimates do, however, have implications for general levels of non-health or welfare-related public service provision, and this issue is considered under Section 5.B (The County of Los Angeles).

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5 In addition, the share of affected recipients living in public or assisted housing will experience an increase in federally-funded rent subsidy; but this essentially (partially) replaces one federal source of funds for another (TANF with HUD subsidy), and so this effect not considered in the analysis conducted here.

Methodology

To calculate the economic impacts of the three scenarios outlined in Section 3, reductions in Year 1 benefit streams were aggregated into three categories: those related to Food Stamps, medical care (e.g. Medi-Cal), and cash benefits. Lost cash income was then distributed to general expenditure categories, based on studies of consumer expenditures which reveal that public assistance recipients have a somewhat different pattern of spending than non-aided households.[6] The next step allocated offsetting revenues from MOE, incremental Food Stamp increases to recipients losing cash benefits, and Foster Care payments to consumer expenditure categories based on the pattern characterizing non-aid recipients. These procedures produced a set of net losses for each scenario. A similar procedure was used to isolate the impacts of TANF work requirements and time limits, both for Year 1, and for Years 2-6 impacts on the Year 1 caseload in order to capture the influence of program requirements and limits as they take effect over time.

Net dollar amounts (deflated to 1992 dollars) were used in conjunction with a 1992 input-output model of the county economy, to estimate job shifts and changes in total output, employee compensation, and property income, by industrial sector. This model, based on data from the U.S. Census, characterizes the interdependent relationships between consumer demand (expressed in dollars available for product purchases), and industrial sectors of the economy that serve to meet this demand. *Direct job impacts* are estimated by the model as a function of changes in consumer expenditures in specific spending areas[7] and average wage rates in industrial sectors linked to those spending categories. An inter-industry portion of the model portrays the linkages between these industrial sectors directly associated with consumer expenditures, and a large number of other industrial sectors. This allows us to estimate *indirect impacts* on diverse types of primary extraction, intermediate industrial processing, and distribution activities, and well as public and private services, associated with any given final demand shift. In addition, multipliers in the model generate *induced impacts* that accrue as workers in indirectly linked sectors lose jobs and income, and reduce levels of consumer spending. Model results are expressed in terms of direct employment , output, compensation, and property income shifts associated with changes in consumer expenditures, and the sum of direct, indirect and induced effects.[8]

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6 William D. Passero, "An Examination of Spending Patterns of Families Receiving Forms of Public Assistance," Proceedings of the Section on Survey Research Methods, American Statistical Association, 1995.

7 Categories include food, housing, apparel, transportation, medical services, entertainment, personal insurance and pensions, and other.

8 For purposes of comparing model-generated losses with current (1996) job and employee compensation totals for the county, 1992 results were adjusted to 1996 levels.

General Employment and Income Impacts of Welfare Reform

Our analysis indicates that welfare reform provisions could have substantial impacts on the county's economy, workers and property markets. These potential effects are detailed for all program changes, and for TANF time-limit effects only.

All Programs

In the summary table provided below, we detail the job shifts associated with Year 1 changes in public benefit funding streams.

Summary Table 4A-1: Employment Impacts of All Program Changes - Year 1

Economic Sector	*Direct Job Change*			*Total Job Change (includes Direct, Indirect, and Induced Job Shifts)*		
	SCENARIOS					
	Low Impact	**Medium Impact**	**High Impact**	**Low Impact**	**Medium Impact**	**High Impact**
Agriculture	0	0	0	-10	-76	-128
Mining	0	0	0	-1	-6	-11
Construction	0	0	0	-33	-239	-401
Manufacturing	0	0	0	-129	-816	-1379
Transportation, Communications & Utilities	-54	-1024	-1674	-126	-1486	-2452
Wholesale & Retail Trade	-1496	-4927	-8004	-2197	-9333	-15429
FIRE	10	-56	-145	-202	-1457	-2506
Services	-914	-7125	-12279	-1724	-12233	-20892
Government	0	0	0	-36	-228	-384
Household	-107	-2640	-4452	-144	-2872	-4844
TOTAL EMPLOYMENT	-2562	-15779	-26565	-4604	-28747	-48427

Note: Results based on 1992 constant dollars.

Estimated job losses vary dramatically from Low to High Impact scenarios. Under the Low Impact scenario, only about 4,600 jobs would be lost in Year 1 (or more generally, per year). But losses would

rise steeply under the Medium Impact scenario and High Impact scenario conditions (28,747 and 48,427 respectively). In the context of slow economic growth rates in Los Angeles County, such job losses are highly significant. Under the High Impact scenario, year one job losses would wipe out almost all new jobs created in the county in 1996.

Certain major sectors of the economy would suffer the greatest losses, particularly trade and services, where most consumer dollars are directed, and to a lesser extent, transportation; finance, insurance and real estate (FIRE); and private household employment (which includes domestic workers, such as gardeners and housekeepers). For example, under the Medium Impact scenario, approximately 1.6 percent of all trade-related jobs would be lost, rising to 2.6 percent under the High Impact scenario; in the case of services, losses would range from 1.1 to 1.9 percent under Medium and High Impact scenarios respectively. Some subsectors within these larger groupings would in turn suffer disproportionate losses. Especially hard hit would be local and interurban passenger transport, retail trade, and health services.

Job losses have clear implications for employee compensation. In the aggregate, such employment-linked income losses range from $106 million per year[9] (Low Impact scenario), a relatively negligible loss, to between $635 million per year (Medium Impact scenario) and $1.1 billion per year (High Impact scenario). These latter losses constitute almost one percent of all annual employee compensation in the county. Again, due to sector-specific differences in employment effects and wage rates, trade, services, and household sectors income losses would be the highest; at the subsector level, the largest losses would accrue to workers in retail trade and services. Annual estimated retail employee compensation losses range $169 and $279 million per year (1.6 and 2.7 percent of total retail employee compensation) under Medium and High Impact scenarios, respectively; health services workers would lose an estimated $231 to $396 million per year (2.2 and 3.7 percent of total health services employee compensation).

Employment impacts also filter down to affect property income (from industrial, commercial, and residential rents). Model-estimated property income impacts range from $61 million/year under the Low Impact scenario, to $458 million/year under the Medium Impact scenario, to $772 million/year under the High Impact scenario.

Reductions in retail trade output and job losses can be expected to hurt local government finances in the region. Local jurisdictions would lose sales tax revenues ranging from $7 to $46 million per year, depending on scenario.

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[9] Dollar amounts reported for employee compensation and property income are express in 1996 dollars..

TANF Only

Employment impacts of TANF time limits and work requirements in Year 1 of implementation are relatively small in the aggregate, but particular sectors will grow while others shrink according to our scenarios. Overall, however, during the first Year of TANF the number of jobs lost under any scenario would be small (just over 1000), since the only recipients terminated would be those failing to meet various regulatory requirements. Between Years 2 and 6, however, as recipients cycle on/off between TANF, work, and other forms of support (family/friends, charity, or GR) and meet lifetime eligibility limits, annual job losses mount, as shown in the table below. These losses are, however, held down due to the infusion of Foster Care funds and MOE dollars, which augment the county economy.

Summary Table 4A-2: TANF Work Requirement & Time Limit Impacts - Years 2-6

Economic Sector	*Direct Job Changes*			*Total Job Changes (includes Direct, Indirect, and Induced Job Shifts)*		
	SCENARIOS					
	Low Impact	**Medium Impact**	**High Impact**	**Low Impact**	**Medium Impact**	**High Impact**
Agriculture	0	0	0	-27	-101	-117
Mining	0	0	0	-1	-4	-4
Construction	0	0	0	-76	-279	-319
Manufacturing	0	0	0	-153	-511	-513
Transportation, Communications & Utilities	-913	-3992	-5278	-1022	-4376	-5691
Wholesale & Retail Trade	-1360	-4588	-4318	-2297	-7777	-7609
FIRE	295	1702	2601	-42	525	1334
Services	3	370	796	-1054	-3201	-2861
Government	0	0	0	-49	-171	-181
Household	-1466	-5352	-6173	-1516	-5526	-6354
TOTAL EMPLOYMENT	-3444	-11875	-12389	-6239	-21421	-22316

Note: Results based on 1992 constant dollars.

Because TANF recipients spend their resources in a pattern which differs from non-recipient households, specific sectors would suffer notable job losses. In particular, under the High Impact scenario, local bus transportation and retail trade would lose up to 5,343 and 7,116 jobs respectively over years 2-6. By the same token, some sectors gain, as non-recipient households spend income that filters down to various business services and FIRE. For example, over years 2-6, the FIRE sector would gain between 1,702 and 2,404 jobs, mostly in insurance agents and brokers.

It must be emphasized that TANF-related job losses outlined here pertain to a *single year's caseload*. Given continuing slow or no growth in the local economy, families will inevitably experience financial difficulties, and some share will exhaust unemployment insurance and other sources of support; and regardless of labor market conditions, some families will continue to experience life crises which lead them to seek public assistance. Thus in Year 2, 3, and so on, cohorts of new applicants will apply for/receive TANF, and create a series of economic impacts as they cycle through the system and eventually meet lifetime eligibility limits.

Discussion

In conclusion, several vital caveats about these findings should be noted. First, they may *overestimate* the extent of job loss. Because the county's economy is open (i.e. resources flow freely into/out of the region from other areas of the state, nation and world), savings generated elsewhere may flow into the local economy to some extent, and thus offset losses. For example, federal or state welfare savings may be reinvested into the general economy in the form of reduced taxes or additional government spending in other budget areas, and the economic benefits of such reinvestments may assist the county's employment picture to the extent that they flow into the region. It should also be noted that because of increasing demands on federally-funded food, health care, child welfare, and low-income housing programs, projected welfare savings are expected to be sharply attenuated. Moreover, funds returned to private households and firms as a result of reductions in welfare spending may simply be saved rather than reinvested. And there are no mechanisms to insure that any savings reinvested actually return to the local economy; they may be reinvested anywhere in the world.

Model estimates may for other reasons *underestimate* the employment impacts of our scenarios. This is because input-output models such as the one utilized here do not track the *cumulative* impacts of economic change as they are played out over time; rather they distribute one time changes in final demand to specific industrial sectors, given the interconnected structure of the local economy. But losses in public benefit funding streams experienced in year 1 are to some extent experienced anew in each subsequent year -- the precise amount of loss varying according to program-specific caseloads projected in the absence of welfare reform. Moreover, in the case of work requirements and time-limits, time-lags

built into the program insure that effects accumulate over time. Thus across programs, impacts will be cumulative and job losses will grow over time, offset only by inflows of non-local funds for unemployment insurance and other welfare related benefits to newly dislocated workers (if eligible).

Another factor that may work to underestimate economic losses is an overall decline in the quality of life in Los Angeles. To the extent that welfare reform serves to increase levels of visible human problems, such as homelessness, and leads to a deterioration in public service quality and/or levels, potential investors from outside the region may discount the attractions of opening an LA-based facility. Similarly, such quality-of-life factors may influence the locational calculus of firms considering expansion of existing operations in situ versus in alternative locales.

Specific Impacts on Low Wage Workers and County Workers

Within the context of these general economic implications of welfare reform, two particular segments of the labor force may be especially affected: low wage workers, and selected groups of employees of Los Angeles County.

Low-Wage Workers

Low-wage workers could be affected by growth in the low-wage labor pool created by TANF time limits and work requirements, due to downward pressure this growth may exert on wages. Mishel and Schmitt have estimated the elasticity of demand for low-wage labor, which indicates how much wages may change with shifts in the size of the low-wage labor pool.[10] Based on an analysis of Current Population Survey data for 1993 and 1994, their findings suggest that average wages in this labor pool (defined as the lowest 30 percent of all wage earners) would fall by almost 18 percent in California, if the pool expanded by 3 percent (their estimate of the influx of new workers coming off welfare). This decline translates into a fall in wages of $1.02/hour, to $4.67 (in 1994 dollars). Such a decline can also be aggregated as "lost wages"; the state's low-wage workers would lose $6.4 billion per year due to a 3 percent expansion in the low-wage labor supply. Producers, in contrast, could realize windfall profits, due to their falling wage bills. In turn, this could stimulate growth in low-wage industries -- already the regional pattern in recent years. Moreover, additional low-wage labor and falling wage rates may influence the situation of the most modestly paid County employees, as detailed below.

County Workers

County workers in a broad range of occupational categories could be affected indirectly by welfare reform in several ways, although the precise magnitude of such impacts is impossible to project at present. First,

10 Lawrence Mishel and John Schmitt, "Cutting Wages by Cutting Welfare," Briefing Paper, Economic Policy Institute, Washington, D.C., 1996.

in some departments such as Children's Services, caseloads may rise precipitously as rates of abuse and neglect increase and Foster Care placement rates go up. Such a scenario would increase the case management responsibilities of County workers who are already overburdened. Second, due to the decoupling of SSI and IHSS, IHSS caseloads may fall substantially. Should decoupling provisions not be amended by federal or state legislative action, the IHSS workforce could be trimmed, costing some share of these low-wage workers their jobs. For example, our scenarios suggest that under Medium and High Impact scenarios, IHSS workers in the county could lose between $39.6 - $70 million in wages per year, respectively.

Third, work requirements may stimulate a large-scale expansion of workfare, which could ultimately affect County employees. New TANF work requirements, Food Stamp work requirements, and increases in the employable GR caseload are likely to push the number of individuals enrolled in various forms of workfare up. Currently, approximately 22,000 people participate in the GR workfare program for 5 days per month, which is roughly equivalent to 5,000 full-time equivalent workers (although the productivity of workfare workers may be lower due to higher rates of absenteeism, lack of training, etc.).[11] These workfare workers are placed in about 40 work sites in the county, including County agencies and facilities (e.g., recreation centers, parks, service/maintenance yards, beaches, and County offices), city schools, and nonprofit organizations. They perform a wide range of services, such as road, building, grounds, garden, hiking trail, and vehicle maintenance; receptionist, general office, clerical, and data entry; general construction, pipe repair and installation; assembly and production line work; warehouse, stockroom, shipping and receiving; parking lot attendant; and animal care. An analysis by SEIU Local 660, which represents over 40,000 of the County's blue collar, clerical, health care, nursing, welfare eligibility, and other professional workers, indicates that workfare workers -- working for the equivalent of the minimum wage of $5.25/hour -- are concentrated in Departments of Public Works, Parks & Recreation, Public Social Services, Health Services, and Sheriff (Juvenile division). In these departments, they perform job tasks similar to County employees paid between $6.58 - $10.82/hour, with benefits.

At this point, there is little evidence of employee displacement due to the availability of GR workfare workers. But while a seldom-used AFDC workfare program set up by the state includes explicit anti-displacement provisions, Local 660's contracts with the County currently have no formal protections against the displacement of County employees by workfare workers.[12] Concern about displacement has mobilized labor leaders, and the AFL-CIO has announced a formal campaign designed to unionize workfare workers and minimize displacement effects; so too has the national community-based group, Association of Community Organizations for Reform Now (ACORN). "It is quite clear that those who

11 Bettina Boxall, "How Fair is Workfare?" Los Angeles Times March 9, 1997.

12 Tiffanie Heber, Local 660, personal communication, March 11, 1997.

represent public employees see this [workfare] as a threat...It's essentially setting up a two-tier work force" only one part of which has formal rights to union representation and collective bargaining, according to AFL-CIO organizer Peter Rider.[13] Most observers agree that local public agencies have begun to rely on workfare workers, and at a minimum they have been able to avoid hiring additional employees due to the contributions made by workfare workers. For example, Julie Butcher of SEIU Local 347, argues that workfare workers are "doing work that otherwise would be done by our members -- by gardeners who earn $10/hour plus health, dental benefits and a modest retirement."[14]

It remains to be seen if a massive expansion in workfare programs coupled with rising County welfare program responsibilities and costs (as discussed in Section 5), will instigate more aggressive efforts on the part of the County to substitute workfare participants for public sector employees. Other avenues to public assistance cost reduction, including privatization and automation, could also negatively impact County workers by shrinking/eliminating certain job categories, limiting opportunities for reclassification and advancement, and putting downward pressure on wages.

B. Health & Mental Health

Los Angeles County has the largest medically indigent population in the United States. Over 2.6 million people in Los Angeles are uninsured and 1.6 million are covered by Medi-Cal, the State's Medicaid program. The county has the highest rate of uninsured people (32 percent) in California and the highest rate among the 30 largest metropolitan areas in the United States. Almost a third of the uninsured in Los Angeles County are children, and the majority are working individuals and their families who have no employee benefits. This means that nearly half of the county's population is medically indigent, either uninsured or covered by Medi-Cal.

Table 4B-1: Uninsured Population, in Various Cities Across the United States

	Number of Uninsured	*Population under 65*
Los Angeles	2.65 million	32 percent
San Diego	591,000	23 percent
New York City	1.72 million	24 percent
Oakland/Contra Costa	287,000	16 percent
Chicago	787,000	14 percent
Philadelphia	678,000	15 percent

Source: Current Population Survey, 1996. Data Provided by UCLA Center for Health Policy Research

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13 As cited in Boxall, op cit.

14 Boxall, ibid.

The Los Angeles County Department of Health Services (DHS) is a cornerstone of a safety net of health care providers serving the medically indigent in Los Angeles. As the State's mandated health care provider of last resort, DHS blends several roles within the broader health care delivery system in Los Angeles. Its emergency and trauma centers and public health activities affect the lives of all Los Angeles County residents. Its clinics and hospitals serve as primary health care providers for hundreds of thousands of people, particularly vulnerable populations who depend exclusively on County facilities for a full range of health and mental health care services. The County DHS also depends on a network of private physicians and hospitals, clinics and health centers. These private providers serve as access points for primary care and other critical services, but they also depend on DHS facilities for specialty and hospital care, and public health related services such as treatment of tuberculosis.

At the start of the 1995-96 fiscal year, Los Angeles County was faced with an unprecedented $655 million budget deficit in health services - the loss of one out every two dollars available - and a devastating collapse of the health care safety net. In response, a five-year Medicaid Demonstration Project (1115 Waiver) has been approved which alleviates the County's immediate fiscal crisis and sets the foundation for a complete restructuring of the DHS. The County is in the early stages of implementing a broad reform of its health care delivery system, including a bold plan to expand primary health care services for the medically indigent delivered at public-private partnership sites throughout the county. Many of the welfare reform provisions, both mandatory and optional, will place additional strain on the already overburdened and precarious system of health care delivery in the region, and threaten these important initiatives.

Provisions including the barring of future legal immigrants from Medi-Cal will increase the uninsured pool of residents who have limited access to preventive and primary health care. The same could be said of disabled children at risk of losing SSI benefits, who despite their young age, have a considerable need for health care services. Although people losing SSI may requalify for Medi-Cal under other programs, some will lose benefits resulting in a net loss of funds flowing to the safety net providers. The state option to terminate both TANF and Medi-Cal benefits for families failing to meet the TANF work requirements would, if taken up, protect the health care coverage of children but not their parents. Lastly, should California opt to bar all legal immigrants from Medi-Cal, the loss of health coverage of 300,000 individuals in Los Angeles would exacerbate the fiscal crisis and create additional public health concerns in the county.

The Medi-Cal scenarios presented earlier in this study provided a snapshot of the numbers of individuals at risk of losing their health coverage given certain assumptions about naturalization and future legislative action. While these scenarios depict estimates of the loss of Medi-Cal reimbursement dollars for health

care rendered by public and private service providers operating in the local economy, they do not reflect the complete range of direct and indirect, fiscal and public health impacts. While it is not within the scope of this study to quantify all of these impacts, an attempt is made here to detail some of the key repercussions of welfare reform on the local health care system.

This section sets out to accomplish the following objectives: First, it describes the current insurance status of Los Angeles County residents, defines certain vulnerable populations and details their health care needs. Second, an overview of the existing health care system in the county is provided, including available resources, recent funding trends, and the resulting weaknesses in the health care safety net of Los Angeles. Finally, based on the current state of the existing system, the likely consequences of welfare reform on health care are addressed.

Current Health Status of Los Angeles Residents

According to a report by the UCLA Center for Health Policy Research, since 1988 the insurance status of Los Angeles residents has declined to such a point that the county now has the highest proportion of uninsured population in the nation.[15] In 1992, 31 percent of Los Angeles County residents (2.6 million) under 65 years of age were uninsured. An additional 14 percent were covered by Medi-Cal, leaving only 55 percent of the population covered by private insurance. This is down from 1988 when 65 percent of Los Angeles residents were covered by private insurance. The portion of the population that is uninsured will also increase as former AFDC recipients lose their Medi-Cal benefits and move into the workforce unless the employment they secure offers health insurance. Individuals lacking health insurance are at increased risk for health and mental health problems and in Los Angeles County. A number of particularly vulnerable sub-populations falling into this category have been identified.

Vulnerable Children

Thousands of children in Los Angeles County are at high risk for health and mental health problems due to poverty, domestic violence, family instability, unemployment and lack of health insurance. Over 850,000 children, one out of every three children in Los Angeles County, live in households with family incomes below the federal poverty level. Over 450,000 children receive public assistance benefits. More than 600,000 children in Los Angeles County have no health insurance. In December of 1996, California Department of Social Services reported that there were over 50,000 children in foster care in Los Angeles County. In 1992, Los Angeles County's foster care population comprised 1/12 of the nation's entire foster care population. Nearly 30,000 children are homeless, and estimates place the number of adolescents

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15 UCLA Center for Health Policy Research. 10/21/94. "At Risk: Los Angeles County, The Health of Its People and Its Health System." *A Briefing Paper Prepared for the Health and Mental Health Advocacy Coalition.*

living on the streets to be over 10,000 in the Hollywood area alone. Furthermore, in 1994, there were over 2,500 infants born who had suffered from pre-natal exposure to drugs and the number of pediatric (ages 0 - 12) HIV+/AIDS cases reached 184.[16]

For these categories of children, DHS facilities become the regular doctor, providing preventive care such as immunizations and well-child examinations, and care for children who are ill. For example, DHS provided 795,000 Child Health and Disability Program screenings in 1994/95, and 503,000 for 1995/96. For many uninsured children, DHS represents the only source of treatment for previously undetected health problems. DHS also provides health care for many children who are under the custodial care of Los Angeles County including foster children, children in institutions such as MacClaren Hall, and juvenile detention facilities. Abused or neglected children receive care in several DHS facilities including emergency departments and trauma centers. Finally, the Center for the Vulnerable Child at the Los Angeles County/USC Medical Center provides specialized services for children with special health and developmental problems such as pre-natal exposure to drugs and alcohol, and child abuse.

Homeless People

Up to 83,400 people are estimated to be homeless on any given night in Los Angeles. Homeless people have higher rates of health and mental health problems including tuberculosis, HIV, cellulitis, circulatory problems, trauma, depression, and drug and alcohol abuse. While homelessness is a problem county-wide, homeless people are concentrated in the downtown area of the central city, and are covered by the County's Central Health District. Many of the county's critical public health problems are found in communities with high concentrations of homeless people. Homeless children are at high risk for depression, developmental delays, and abuse and neglect. The health of homeless people is compromised by the social conditions of homelessness, particularly over-crowding in shelters, extreme poverty, inadequate nutrition, exposure to toxic and communicable disease agents, violence, and drug and alcohol abuse. DHS provides services throughout the health system for homeless people. The County's emergency and trauma center serves as provider for many homeless people. Shelters and other social service agencies refer homeless people to comprehensive health centers and clinics for many of their health problems. For several years, the County DHS has operated a clinic in the Weingart Center Association facility, a large shelter in central Los Angeles. DHS also has a Tuberculosis clinic in Skid Row which it has consolidated with operations at the Weingart Center clinic. Finally, the County DHS operates the General Relief health program. Over 90,000 people enrolled in GR receive care through a special

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16 Los Angeles County's Children's Planning Council and United Way. 1996. "State of the County Report: Children's Score Card - 1996." Los Angeles: United Way of Greater Los Angeles.

health program. DHS allocates $12,000,000 annually for caring for the county's GR population. These funds are used for primary care contracts with private clinics and health centers.

Adolescents

Young people between the ages of 12 and 17 are at high risk for many health problems. These include preventable injuries, particularly those related to violence, sexually transmitted disease, unintentional pregnancies, and drug and alcohol abuse. For example, in 1995, the Sexually Transmitted Disease Office reported over 6,000 cases of Chlamydia among 15-19 year olds, a case rate of 1,292 cases per 100,000 in Los Angeles, the highest case rate of any age group. Adolescents are also at high risk for depression and other mental health problems. For example, in 1994 there were 47 cases of suicide among those aged 0 - 19 in Los Angeles, a number down from a high of 83 in the previous year.[17] HIV also affects adolescents, with over 20 percent of the AIDS cases in Los Angeles County being diagnosed among individuals in the age group 20 - 29. This means than many of those individuals were infected during their adolescent years.

Women of Reproductive Age

Although women require access to comprehensive primary care, women of reproductive ages require special services that enable them to maintain maximum health during these years. This includes access to family planning services, pre-natal care, and other preventive care such as cancer screening. Teen age pregnancy is a particularly difficult problem in Los Angeles. For example, there were over 9,000 infants born to teenage mothers in Los Angeles in 1994. The John Wesley Community Health Institute (JWCH), a non-profit agency affiliated with the County, provides many of the family planning services in DHS facilities. Each year, JWCH provides over 40,000 visits to 21,000 women. Together with JWCH, Los Angeles County facilities provide the largest number of family planning services for low income women each year.

HIV Infected Individuals and Those Living with AIDS

The AIDS Program Office estimates that between 40,000 and 54,000 people are infected with HIV in Los Angeles County. HIV sero-prevalence is rising rapidly in the population of non-white men who have sex with men. Los Angeles County accounts for 6 percent of all AIDS cases in the United States. Through September, 1996, there were over 34,000 cases of AIDS and 22,000 AIDS related deaths. In comparing demographic characteristics of persons with AIDS in Los Angeles County with the United States, males

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[17] Los Angeles County's Children's Planning Council and United Way, ibid.

accounted for a higher percentage of cases in the County than in the US (91 versus 81 percent), and Latinos represented a greater percentage of all cases (34 percent versus 19 percent). African Americans accounted for a smaller percentage (21 percent versus 40 percent). The County's Office of AIDS reports that 20 percent of new AIDS cases were diagnosed in individuals who were likely infected during adolescence.

The Needs of the Medically Uninsured

In 1992, the Task Force for Health Care Access in Los Angeles County reported that 2.6 million residents who were medically uninsured needed approximately 15 million doctor visits per year. Four million of these visits did not take place while the County supplied 4 million, or 36 percent, of the remaining 11 million visits. Seventy-one free clinics provided another 350,000 (3 percent) visits; 130 private hospitals provided 1.2 million (11 percent) uncompensated visits; private physicians provided 1.5 million (14 percent) uncompensated visits; and nearly 4 million visits were paid for out of pocket.[18]

The lack of health insurance has a detrimental effect on health and longevity.[19] It is associated with higher rates of appendiceal perforation and peritonitis from acute appendicitis; increased mortality from breast cancer and trauma; unneeded hospitalization; and increased morbidity from a number of medical conditions. Because they are uninsured, individuals often do not receive preventive care which can mitigate and avoid longer term health problems and costs. According to a recent report, more than one third of uninsured adults (37 percent) did not visit a doctor in 1996 even though they needed medical care, because of the cost involved.[20] Furthermore, with no or limited access to primary care facilities, the uninsured often turn to hospital emergency rooms for non-urgent treatment. In 1992, 38 percent of the County's Emergency Medical Services visits were classified as non-urgent and in a survey of homeless individuals in downtown Los Angeles, 50 percent said they had used the emergency room for a primary health problem.[21]

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[18] Task Force for Health Care access in Los Angeles County. 1992. "Closing the Gap: Report to the Los Angeles County Board of Supervisors." *Los Angeles Times*, 11/24/92.

[19] See P. Franks, et al. "Health Insurance and Mortality: Evidence From a National Cohort," *Journal of the American Medical Association*, 270:737-741; P. Braveman et al. "Insurance-related Differences in the Risk of Ruptured Appendix," *New England Journal of Medicine*, 331: 444-449; J. Billings et al. "Impact of Socioeconomic Status on Hospital Use in New York City," *Health Affairs* 12: 162-173; J.J. Stoddard et al. "Health Insurance and Ambulatory Care for Children," *New England Journal of Medicine*, 330: 1421-1425; and J.Z. Ayanian et al. "The Relation between Health Insurance Coverage and Clinical Outcomes Among Women With Breast Cancer," *New England Journal of Medicine*, 329: 326-331.

[20] The Health Insurance Policy Program. 1/97. "The State of Health Insurance in California, 1996." Los Angeles: UCLA Center for Health Policy Research.

[21] UCLA Center for Health Policy Research, op.cit., 1994.

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There are a number of factors affecting the insurance status of individuals. One such factor is ethnicity.[22] The Latino population has the highest rate of being medically uninsured (46 percent); Asian Pacific Islanders rank second at 25 percent; African Americans at 23 percent; and Anglos at 17 percent. Age also seems to impact the probability of being uninsured; the 18-29 age group has the highest rate of uninsured persons, followed by age 30-44, those between 0 and 17 years of age and finally those 45 to 64 years of age.[23] Lack of health insurance is also inversely proportional to income. Forty-six percent of those with family incomes below 200 percent of the poverty level are uninsured whereas only 12 percent of those with over 300 percent of the poverty level are uninsured.[24] The probability of having private insurance coverage is not only dependent on an individual's being employed but on the size of his/her employer. Eighty-five percent of the medically uninsured are employed, but most work in small businesses with less than 40 employees, which do not provide health care benefits to workers.[25] The decline in the Los Angeles economy, coupled with its high number of small employers, suggest that the employed medically uninsured may be in precarious work situations subject to termination, financial hardship, and eventual need for public assistance.

Public Health Resources in Los Angeles County

Health care is provided by a number of both public and private facilities in Los Angeles. As of 1992, there were 6 County-owned hospitals, 64 for-profit hospitals, 3 state and district hospitals and 76 non-profit community hospitals.[26] In the past decade various types of health care facilities, both public and private, have had to scale back, merge or close down entirely. These facilities include hospitals, trauma centers and paramedic-receiving hospitals. Growing competition, falling profits and increasing pressure to contain costs led the number of hospitals operating in the county to decrease from 178 in 1986 to the 149 hospitals delivering health care now.[27] Furthermore, because a high proportion of emergency room visits are made by the uninsured (approximately 40 percent), a crash in the trauma network led the number of centers operating to decline from 21 in 1982 to 13 centers in 1992.[28] In addition, the number of hospitals receiving paramedic patients has also fallen by between ten and fifteen over the past ten years to the 85 currently receiving today.[29]

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22 Brown et al. 1991. "Health Insurance Coverage of Californians in 1989." Berkeley: University of California.

23 Tranquada, Robert. 1996. "The Health Care Conundrum" in *Rethinking Los Angeles* (Dear, Schockman, and Hise, editors). Thousand Oaks: Sage Publications.

24 Tranquada, ibid.

25 Tranquada, ibid.

26 UCLA Center for Health Policy Research, ibid.

27 UCLA Center for Health Policy Research, ibid.

28 Tranquada, op.cit.

29 UCLA Center for Health Policy Research, op.cit., 1994.

Increasing the number of uninsured people will increase the number of patients needing services from safety net providers and emergency rooms. Increasing demand from people who have no way to pay for their care will increase the financial burden on safety net providers and potentially cause many clinics and health centers to close their doors. For other clinics, increasing demand will increase waiting times for primary care and preventive services, and will force individuals to delay getting needed care, or to forgo getting any care at all.

Health Care Funding

The County Department of Health Services and other safety net providers depend on a complex array of federal, state and county revenue to support indigent health care services. In the last two decades, County funding for DHS programs and facilities has declined as a proportion of total funding. In 1982, 18 percent of the DHS' budget came from County revenues whereas in 1994, only 12 percent of the budget came from the County, signaling an increasing reliance on state and federal Medi-Cal funding.[30] County revenue available for health care has been limited by factors such as Propositions 4 and 13 (tax limitation measures) and the unstable nature of funding from Proposition 99 (tobacco tax) used for indigent health care and by shifts in property tax revenue from the counties to the state. Between FY 1991/2 and FY 1993/4, funds from Proposition 99 alone declined approximately 30 percent from $650 million to $445 million.

While County revenue has declined to $150 million a year, state and federal sources have dramatically increased and today, Medi-Cal remains the cornerstone of funding for indigent care. Los Angeles County receives over $1 billion in Medi-Cal revenue annually. Base Medi-Cal pays for services provided to Medi-Cal recipients in the hospitals and trauma centers, and for basic primary and specialty care in clinics and health centers. In addition, County facilities receive "disproportionate share" Medi-Cal payments, added payments beyond the costs of health care for Medi-Cal patients. The reliance on Medi-Cal funding is nowhere greater than in those facilities classified as "disproportionate share hospitals" (DSHs).

These hospitals (6 County-owned and 28 privately owned inner city facilities) are classified as DSH because the percent of Medi-Cal and uncompensated care they provide exceeds 36 percent of the state average for hospitals. The excess disproportionate share payments they receive are used by DSHs to fund services provided to uninsured and indigent patients. This means that any reduction in Medi-Cal or DSH payments would seriously undermine the capacity of the County and private inner-city hospitals to finance medical care for indigent people. Such services cost $850 million per year according to the 1995-

30 Tranquada, op.cit.

96 budget presentation of the Department of Health Services to the County Board of Supervisors. Of this total, $300 million came from County appropriations and $500 million from DSH and related revenues.

Another factor affecting health care funding has been the transition to managed care, a prepaid third party reimbursement system that provides health care at reduced costs. Ninety percent of all insurance payers in Los Angeles County are currently operating under a managed care system,[31] including Medi-Cal contracting which is a growing trend. This compares with a level of 40 percent in the rest of the nation. The cost containment imperatives of managed care have led to reduced use of inpatient hospital facilities and tertiary care physicians. The reduced revenue received by hospitals under managed care contracts has diminished their capacity to cost-shift from wealthier insured patients to indigent people in need of care. Moreover, revenue from insured patients has diminished because managed care plans are no longer willing to pay physicians and hospitals their usual and customary fees.

Welfare Reform Implications

Because the current health care system in Los Angeles County is already in a precarious situation, any additional loss in Medi-Cal coverage or growth among the uninsured population could have dire consequences for future service delivery. According to the Medi-Cal scenarios presented in this study, between 315 and 600 disabled children could lose their Medi-Cal coverage. In addition, an estimated 16,000 legal immigrants new to Los Angeles could be denied Medi-Cal every year. The greatest loss of Medi-Cal benefits, however, would fall on legal immigrants currently in California if the state exercises the option to bar them entirely from non-emergency Medi-Cal coverage. If this should occur, the number of uninsured legal immigrants would range from nearly 137,000 to over 227,000. Overall, this could mean a total of between 16,000 to nearly 250,000 in newly uninsured residents in Los Angeles County. This does not include others at risk of losing Medi-Cal if, for example, California opts to deny parents failing to meet TANF work requirements health coverage or if individuals losing SSI also lose the categorical link to Medi-Cal. Furthermore, the job losses estimated (in Section 4A: The Economy) to result from the withdrawal of public benefits from the economy could also mean yet an additional cohort joining the ranks of the uninsured.

Such an explosion in the number of uninsured individuals in the county would bring about several negative impacts. A lack of preventive and early intervention services would lead to an increasing prevalence of treatable and preventable illnesses further impairing overall public health in the county. The percentage of emergency room visits that are non-urgent in nature could skyrocket because access to health care will become increasingly limited for a larger percentage of the population and costs of treating illness at

[31] Tranquada, ibid.

advanced stages will increase. Reduced Medi-Cal coverage and reimbursement, as well as the disproportionate share hospital payments linked to Medi-Cal reimbursements, will mean even scantier financial resources with which to fund indigent care in Los Angeles while the medically indigent population continues to expand.

There will be a number of other populations whose health and well being will be impacted by the direct and indirect effects of welfare reform. Undocumented women at risk of losing Medi-Cal funded pre-natal care could give birth to children with decreased average birth weight and increased rates of morbidity and mortality. Our scenarios estimate this population to be between 7,400 and 30,000 women (who would receive no pre-natal care at all) and their infants. Furthermore, because the provision of pre-natal care contributes to the early detection of sexually transmitted disease (STD), loss of such health care can be expected to contribute to increased rates of STD transmission and increased treatment costs in the long term. A Los Angeles County study has estimated the potential cost resulting from failure to detect STDs while providing pre-natal care services could range from over $19 million to nearly $26 million.[32]

Elderly legal immigrants who lose In Home Supportive Services (IHSS) linked to SSI eligibility will also be impacted. Many of these individuals, if not able to receive these services in their home, will require placement in nursing homes. Scenarios presented under the SSI section calculated the range of elderly at risk of losing IHSS to be 8,800 to 15,400 individuals. Not only will these individuals be removed from their homes, but the cost of increased nursing facility placements, covered by Medi-Cal, will surely exceed the cost of providing IHSS to the affected population.

In addition to such direct implications of welfare reform as the costs of providing services to families and individuals losing benefit eligibility, there are bound to be indirect impacts of health and mental health status more generally. Clearly, those children and substance abusers losing SSI may experience additional and long-term health problems linked to their disabilities and their inability to afford treatment and/or obtain subsistence income. A much larger group faced with time-limits and work requirements, as well as other types of benefit elimination or reduction, may have limited social network resources and General Relief may be inadequate to prevent their drift into homelessness. Again, the well-documented health and mental health problems of homeless individuals suggest the possibility of a dramatic upsurge in illness and death among those who become homeless as a result of welfare reform.

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32 Kuiper, H., M. Miller, G. Richwald, and R. Bragonier. 1996. "Denial of Publicly Funded Prenatal Care for Undocumented Women: Impact on Communicable Disease Control in Los Angeles County." *Los Angeles County Report on Preliminary Findings.*

How will health and mental health be affected among those experiencing sharp increases in poverty due to public termination of benefit reductions, and more general downward mobility due to the indirect economic impacts of welfare reform? With respect to health status, extensive research on the linkages between economic status and the prevalence and severity of health problems suggests that to the extent that welfare reform leads to widespread benefit reductions and, more indirectly, downward mobility and greater income inequality, health problems and also demands on the publicly-supported health care services system will expand.[33]

A somewhat smaller literature in the psychiatric and social work fields exists on relationships between economic conditions and mental health, but it is nonetheless compelling. A central hypothesis of this work is that as economic activity decreases and the economy contracts, overall social stress increases producing higher levels of mental hospitalization and increased admission rates to other treatment settings.[34] In a benchmark study, for example, Brenner found that a significant relationship exists between economic conditions and rates of admission to treatment agencies.[35] Brenner's findings, which have been observed in other places and time periods,[36] demonstrate that persons who lose most in terms of economic and social status during recessionary periods react consistently to economic downturns with increased rates of mental hospitalization. Specifically, in examining data for New York State between 1841 and 1967, he concluded that: instabilities in the material economy have been the single most important source of fluctuation in mental hospital admissions or admission rates; this relationship is so consistent for certain segments of society that virtually no major factor other than economic instability influences variation in hospitalization rates; and this relationship has been stable for at least 127 years. These relationships arise since economic hardship has a major adverse impact on the extent of an individual's social integration; social disorganization and disorientation result as individuals are unable to perform socially designated roles. This condition frequently results from downward shifts in the economy, during which time more people lose income, prestige, and power. Economic status and the ability to work provide the fundamental means whereby individuals fulfill many personal aspirations and social obligations; deteriorating economic circumstances -- from recession and job loss, or from reduction/elimination of income assistance – may thus influence rates of mental disability.

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33 See, for example, D.W. Clark and B. MacMahon. 1981. Preventive and Community Medicine. 2nd ed. Boston: Little, Brown; R.T. Anderson, et al., 1/97, "Mortality Effects of Community Socioeconomic-Status," *Epidemiology*, vol. 8, issue 1, pp. 42-47; C. Stephens, 10/96, "Healthy Cities Or Unhealthy Islands," *Environment and Urbanization*, vol. 8, issue 2, pp. 9-30; and B.P. Kennedy et al., 4/20/96, "Income Distribution and Mortality: Cross-sectional Ecological Study of the Robin Hood Index in the United States," *British Medical Journal*, vol. 312, issue 7037, pp. 1004-1007.

34 Ideally, investigations into this hypothesis should use mental health status indicators that include *all* mentally disabled persons, whether or not they are in treatment. In practical terms, however, this is impossible since no such data typically exist. Most studies have therefore necessarily confined themselves to admissions data.

35 Brenner, M. Harvey. 1973. Mental Illness and the Economy. Cambridge: Harvard University Press.

36 See, for example, Michael Dear et al, 1979.

More specific work on the etiology of schizophrenia has consistently revealed links between lower socioeconomic status and its stresses and this type of mental disability.[37] Recently, studies have also underscored how poverty influences the course and outcome of schizophrenia;[38] since many schizophrenic persons are poor, this is an especially critical question; and it is particularly crucial in Los Angeles County where in 1994-95 schizophrenic individuals constituted 26 percent of all those treated by the Department of Mental Health, compared to a national incidence of 2 percent for this diagnosis.[39] The "endemic stress" associated with poverty can produce "apathy, alienation, withdrawal, affective denial, decreased productivity, and resignation" and negatively influence self-esteem among low-income people in general, and thus can be expected to undermine the psychological functioning of schizophrenic persons.[40] Indeed, in a study of urban state hospital patients in Chicago, Lurigio and Lewis characterized the typical subject as an African-American man without employment, close family or other social ties, and with little or no hope of either recovery or escape from poverty; the authors concluded that their situation was "less a result of psychiatric illness and more a result of poverty, disenfranchisement, estrangement from community, and stigmatization."[41] Thus, as already vulnerable people are impacted by welfare reform in significant numbers, psychological functioning may lead to rising rates of acute episodes of mental disorder, and deteriorating mental health status of those already coping with a chronic disability.

Welfare reform may have more subtle, less acute psychological effects. The growing prevalence of "welfare bashing" has been noted recently by Henneberger.[42] As public discourse and policy increasingly characterized welfare recipients as unworthy, many recipients have internalized this message—adding to the stigma that already lowers self-esteem for so many recipients. Recipients report being yelled at by supermarket patrons when they attempt to pay for food with food stamps, and some have taken to shopping in the middle of the night to avoid such confrontations. Feeling of shame linked to welfare reliance may rise, leading some to avoid public assistance even in the face of dangerous alternatives such a abusive relationships. One recipient told Henneberger that when nine months pregnant and forced to quit two part-time jobs, she sought welfare assistance; although she was only on welfare for a couple of

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37 Bruce, M.L., 1990, "Socioeconomic Status and Psychiatric Disorders," *Current Opinion in Psychiatry*, 3: 696-699; T.E. Gift, et al., 1988, "Social Class and Psychiatric Disorder: The Examination of an Extreme," *Journal of Nervous and Mental Disease*, 176: 593-597; and M.L. Kohn, 1976, "The Interaction of Social Class and Other Factors in the Etiology of Schizophrenia," *American Journal of Psychiatry*, 133: 177-180.

38 Cohen, Carl I. 1993. "Poverty and the Course of Schizophrenia: Implications for Research and Policy." *Hospital and Community Psychiatry*. 44: 951-958.

39 Gatz, Margaret. 1996. "Mental Health." in Michael Dear (ed.) *Atlas of Southern California*. Los Angeles: Southern California Studies Center, University of Southern California.

40 Cohen, ibid, p. 953; based on a finding from M. Fried, 1982, "Endemic Stress: The Psychology of Resignation ad the Politics of Scarcity," *Journal of Orthopsychiatry*, 52: 4-19.

41 Cohen, ibid; for discussion of A.J. Lurigio and D.A. Lewis: 1990, "Worlds that Fail: A Longitudinal Study of Urban Mental Patients," *Journal of Social Issues*, 41: 761-770.

42 Henneberger, Melinda. 1995. "Welfare Bashing Finds Its Mark," *New York Times*, March 5, 1995.

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months, she "felt like scum" and returned to an abusive parent's household. Another recipient's interview compared welfare reform to ethnic cleansing: "We already have very little self-esteem, so the last thing we need is to have the country turn around and point the finger at us and say we're the problem, but suddenly we're responsible for everything from the schools to the deficit. It's like ethnic cleansing. That's what it feels like."

C. Child and Family Welfare

Strangely absent from discussion on the need to move welfare recipients into the work force has been the fact that the majority of those receiving Aid to Families with Dependent Children (AFDC), the largest cash assistance program for the needy, are children. Punitive reform measures targeted at poor adult parents have historically, whether intended or not, impacted their dependent children as well. The recent repeal of the AFDC program and creation of the Temporary Assistance for Needy Families (TANF) program is no exception to this rule. If family incomes decline and the rate of poverty escalates, as concluded in a recent Urban Institute report,[43] locally the repercussions will fall disproportionately on the shoulders of our youngest residents. This is significant because the healthy development of children, especially very young children, is influenced by their parents' financial security: adequate nutrition, quality child care, family unity, educational opportunity and the availability of health care are all linked to the extent of household resources. At a time when the achievement of adequate support for all the children of Los Angeles should be a major priority, welfare reform promises to render more children at risk and overwhelm an already precarious system of social services for children and families.

This section addresses the impacts of reform on our most vulnerable population, children, as well as their families. We begin with an overview of the current status of children in Los Angeles County in order to gauge how imperiled they will be by the new gaps in the social safety net. Among the factors examined are the rate of poverty, reliance on public assistance, family stability, safety, health/mental health and education. Against this backdrop we then present the likely consequences of welfare reform for the County's children. Where possible, estimates of the number of children affected by various reform provisions are drawn from the three alternatives scenarios presented in Section 3. This section does not attempt to predict the full range of impacts on children, rather it draws attention to the areas which will present the greatest challenges in the delivery of services to children and families in coming years.

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43 The Urban Institute. "Potential Effects of Congressional Welfare Reform Legislation on Family Incomes." <http: www.urban.org/welfare/PEC72696.htm#intro.

Children and Families in Los Angeles County

Economic Well-Being and Reliance on Public Assistance

Reform of public assistance programs could put a number of poor children in an increasingly unstable economic situation. In 1994, there were over 2.5 million children and teenagers in Los Angeles County according to the United Way's 1996 Children's Score Card.[44] Twenty eight percent of these children had family incomes below the poverty level, a 32 percent increase from 1990. This mirrored the poverty rate of children in California but was considerably higher than the national rate of poverty for children, 21.8 percent.[45] Over 619,000 children, or a quarter of the total 2.5 million, were receiving AFDC, a 42 percent increase from 1990.[46] A recent report by the County's Children's Planning Council found that this upward trend in child poverty rates has persisted since 1994. Today, one in three children under age 18 lives below the poverty level, compared with one in five nationwide.[47] For those under age 6, nearly two-fifths are impoverished (i.e. live in a household with incomes of less than $15,141 for a family of four), and 16 percent lived in extreme poverty (less than half the poverty level).[48] Nearly two-thirds of all young children in Los Angeles, are considered to be "at risk for the ills associated with poverty, including exposure to violence and environmental toxins, and delays in physical, emotional and cognitive development."[49]

Other factors effecting family income and reliance on public assistance are housing costs, the availability of subsidized child care, and child support collection rates. A recent Children Now study ranked Los Angeles County among all counties in the state with regard to each of these issues. In 1996, Los Angeles County had one of the highest apartment rental rates, ranking eighth among counties in California, with a median monthly rent of $855 a month.[50] With respect to child care, it is clear that the need greatly exceeds the supply. Statewide, 1.6 million children are eligible for subsidized child care, yet only 250,000 children are currently receiving it. [51] Furthermore, Los Angeles County had one of the highest average costs for child care, ranking 9th ($439 a month) among all counties in the state. The high percentage of children with working parents drives the current need for quality child care; at least 50 percent of children in two parent families have both parents working while 50 percent of pre-schoolers and 65 percent of kids ages 5-17 in mother-only families have working moms.[52] Work requirements included in the new TANF

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44 Los Angeles County's Children's Planning Council and United Way, op cit.

45 Children Now. 1996. "California: The State of Our Children - Report Card Supplement."

46 Los Angeles County's Children's Planning Council and United Way, op cit.

47 Meyer, Josh and Melissa Healy. 1996. "Child Poverty Report Prompts Supervisors to Seek Reforms." *Los Angeles Times*, 12/11/96, B3.

48 Meyer and Healy, ibid.

49 Meyer and Healy, ibid.

50 Children Now, op cit.

51 Children Now, ibid.

52 United Way of Greater Los Angeles. 1997. State of the County Databook: Los Angeles 1996-97.

program will cause these percentages to increase further, exacerbating the problem of insufficient child care opportunities. As to child support, while a county-level ranking is not available, we know that California ranks 47th out of 54 states and territories in effectiveness in collecting support.

Because a high proportion of children in our county are poor, it comes as no surprise that so many families with children utilize government health and social services programs. In 1993-4, approximately half of the children who lived in Los Angeles County (1.3 million children) received at least some services from the various County programs and nearly 15 percent of the children assisted were served by more than one department.[53] Certain geographic regions and supervisorial districts in the county had higher rates of program utilization among families with children. Rates of utilization also varied among ethnic groups served by the County. For children, 58 percent of Latino children, 23 percent of White, non-Latino children, 81 percent of African-American children, 17 percent of Asian/Pacific Islander children and 54 percent of Native American children received County services.

Another consequence of economic instability is a high rate of homelessness among children and families. Nationally, more than a third of the homeless are families, an increase of 10 percent since 1985.[54] In Los Angeles County, family members also made up nearly a third of the homeless population in 1988-89 according to a report by the United Way of Greater Los Angeles. Since then, this percentage has declined to just over 20 percent of the total homeless population in the county in 1993-4.[55] It should be noted, however, that this decrease in the proportion of the homeless population that were family members was not due to an actual decrease in the number of homeless families, but to a staggering increase in the number of homeless individuals over this five year period. In addition, these statistics indicate that in 1994, a shocking 46,000 children and youth, or 2 percent of the total children/youth population, were living on the streets of Los Angeles.[56] Of the families who are homeless, most are headed by women who have histories of personal trauma including sexual abuse and domestic violence.[57] Furthermore, poor families not receiving AFDC benefits were far more likely to end up homeless than AFDC families indicating that while less than adequate, AFDC benefits do provide at least some stability.

Family Unity/Structure

In the past, the objective behind the AFDC program was to enable families suffering from economic hardship to remain intact and to avoid the need for out-of-home placement for children. If low income

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53 Los Angeles County's Children's Planning Council . July 1995. "Findings and Recommendations of Los Angeles County's First Data Match Project."

54 Handler, Joel. 1996. "Welfare Reform: The Impact on California."

55 United Way of Greater Los Angeles, 1997, op cit.

56 Los Angeles County's Children's Planning Council and United Way, op cit.

57 Handler, op cit.

families not receiving AFDC benefits suffer an increased risk of homelessness, it seems logical that this would be tied to an increased risk of family breakup. Currently, despite the availability of cash assistance, the number of children not living with their families is escalating. The percentage of all Los Angeles children living with at least one parent had decreased from approximately 90 percent in 1980 to 85.5 percent in 1990.[58] The most recent United Way report showed that in 1990, only 64 percent of children lived with both parents, down from 68 percent in 1980.[59] Furthermore, twenty-one percent of all children in the county lived in single-parent families and the rate was significantly higher for African American children of whom 42 percent lived in single-parent families. Thus, one in ten children in Los Angeles County was being raised by someone other than their parent in 1990. Of these, approximately 150,000 children were being raised by grandparents and 111,000 by other relatives.

An increasing number of those children not living with family members are being cared for by the foster care system. The proportion of children living in foster care in Los Angeles County increased 13 percent from 1991 to 1994.[60] The County had one of the highest rates of foster care placement (33,343 or 12.6 per 1,000 children), ranking 44th among the 52 counties in California.[61] According to the United Way, the number of children in the Los Angeles County foster care system increased 50 percent from 27,463 in 1988 to 41,000 in 1995.[62] The California Department of Social Services reported that this number exceeded 50,000 in December of 1996. Moreover, while the number of new cases opened each year continues to climb (an increase of 10 percent between 1994 and 1996), the number of case terminations has declined 30 percent since 1994.[63] While the percentage of case terminations due to reunification has declined somewhat (from 74.8 in 1994 to 71.5 percent in 1996)[64] the percentage of all placements that were with relatives increased from 24 percent in 1986 to 45 percent in 1994.[65]

The growing number of children moving into foster care is significant because the current capacity of the system is limited. There are currently 20 percent more children being served than the system was designed to accommodate.[66] Additionally, between 1984 and 1993, children moving into the system were

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58 United Way of Greater Los Angeles. 1994. *Los Angeles: State of the County Report.* Los Angeles: United Way of Greater Los Angeles.

59 United Way of Greater Los Angeles, 1997, op cit.

60 Los Angeles County's Children's Planning Council and United Way, op cit.

61 Children Now, op cit.

62 United Way of Greater Los Angeles, 1997, op cit.

63 Information Services Bureau. 12/96. "Selected Characteristics of Children in Foster Care at the End of Three Consecutive Years." Sacramento: California Department of Social Services.

64 Information Services Bureau, ibid.

65 California Legislative Analyst's Office. "Child Welfare Services and Foster Care." <http: www.lao.ca.gov

66 Handler, Joel. 1996. "Welfare Reform 1995-6: The Time Bomb Ready to Explode on California's Children." Southern California Inter-University Consortium on Homelessness and Poverty.

younger and the average length of time in placement increased by 25 percent.[67] A disproportionate share, 41 percent, of foster care youth are African American (an increase of 241 percent since 1984) and the most common reason for placement has changed from physical/sexual abuse to neglect and abandonment, most likely as a result of families' declining economic stability.[68] These trends suggest not only a need for increased financial resources but for the adaptation of foster care services to the needs of a changing client population. It seems unlikely that the current system will be able to sufficiently accommodate a drastic increase in the foster care caseload.

Safety and Survival

Rates of neglect/abuse, gang and criminal involvement and death are other critical measures of how our children are faring. The Children's Score Card of 1996 suggests that the situation for children in Los Angeles County is improving in some of these areas but worsening in others.[69] The number of child abuse cases opened in 1994 (nearly 170,000) was up 57 percent from 1990. Between 1990 and 1994, the rate of violent crime experienced by youth ages 12-17 increased 65 percent and there were increases as well in both the number of gang vs. gang incidents (+34 percent) and gang related deaths (+13 percent). However, rates of juvenile incarceration and probation declined slightly; rates of death due to suicide and accidents decreased significantly; and though it peaked in 1991 the overall rate of homicide remained stable over the four year period. Ranking the County among all the counties in California, Children Now found that in 1994-5 Los Angeles ranked 16th in the number of child abuse reports made (180,586 or 68.4 per 1,000 children).[70] Los Angeles also had the highest number of youth homicides (270) and ranked 15th in the rate of juvenile arrests (45 per 1,000 youth).

Health/Mental Health

Children's health and mental health status in Los Angeles County is another area of mixed results, showing both progress and setbacks among the various indicators according to the 1996 Children's Score Card. [71] In 1994, 71 percent of children in the county had health insurance, down from 77 percent in 1990 and 81 percent in 1992. Looking at childhood immunization, currently 52 percent of children are fully immunized at age 2. This is up 22 percent from 1990 but slightly lower than 58.4 percent of all children in 1993. The number of HIV+/AIDS cases increased among both children (+100 percent) and teenagers (+281 percent) between 1990 and 1994. Teen births decreased 4 percent for teens age 16-17 but

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67 Handler, ibid.

68 Handler, ibid.

69 Los Angeles County's Children's Planning Council and United Way, op cit.

70 Children Now, op cit.

71 Los Angeles County's Children's Planning Council and United Way, op cit.

increased 6 percent for teens age 15 and under. And while the rate of infant death decreased, there was an increase in the number of drug-exposed births.

As discussed in more detail in Section 5, children's health status is also increasingly threatened by hunger and poor nutrition. A 1995 study by the Food Research and Action Center estimated that nearly 12 percent of children in California were hungry (compared to 8 percent nationally) and that 37 percent were "food insecure" or at risk of hunger, compared with 29 percent nationally.[72] Furthermore, the 1995 US Conference of Mayors indicated that among four cities surveyed, 51 percent of the requests for emergency food assistance were made by families with children.[73] School lunch subsidies, for which 2.2 million California children are eligible, are estimated to provide only 20 percent of the meals needed annually by children and exclude, for the most part, children under age five.[74] In 1994, 41 percent of the children in Los Angeles County received subsidized breakfasts and lunch at school, though many schools outside the Los Angeles Unified School District do not serve subsidized meals at all.[75] Furthermore, studies have found that children suffering from hunger are at an increased risk of experiencing weight loss, fatigue, irritability, inability to concentrate, dizziness, headaches, ear infections and colds. This suggests that further cuts in the Food Stamp program, which will likely increase rates of hunger among children, will have consequences in both the health status and educational performance of children.

According to the Children's Planning Council, the overall trend in children's mental health is one of increasing need for mental health services.[76] Based on the 1990 Census, the Council found that an estimated 274,000 children (aged 0-17) in Los Angeles County were in need of mental health services, 69,800 of whom were suffering from severe emotional disturbance. Meanwhile, the County Department of Mental Health served only 15,900 children and youth in 1991/2 of whom the largest proportion (63 percent) were between the ages of 12 and 17. The number of children and youth served has declined since 1986 when over 18,000 were served. The severity of mental health problems, however, has increased and between 1990 and 1992, ten percent of the children and youth served were diagnosed with severe mental illness including Psychosis, Schizophrenia, Bipolar and Major Depressive Disorders.

Education

Overall, progress in educational achievement among Los Angeles students has been limited. While the high school graduation rate has increased slightly (2 percent) from 58.5 percent in 1990 to 59.6 percent in

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72 Children Now, op cit.

73 Children Now, ibid.

74 Children Now, ibid.

75 Nazario, Sonia. 1994. "Going to School Hungry." *Los Angeles Times*, 11/20/94, A37.

76 Los Angeles County's Children's Planning Council. June 1, 1993. "How Are the Children of Los Angeles?"

1994, there was also a slight decrease (3 percent) in the enrollment rate for college over the same period of time.[77] In 1996, Los Angeles County was ranked last among all counties in California for having the highest drop-out rate (6.5 percent).[78] Another significant marker for how children are faring in the field of education is their knowledge of the English language. Not surprising given the county's ethnic diversity, the percentage of students fluent in English or bilingual decreased 13 percent from 78 percent in 1990 to 68 percent in 1994.[79] Furthermore, despite gains made among younger students (fourth graders), performance in reading, language and math among middle and high school students has decreased over the last five years putting them far behind their peers nationally.[80]

Welfare Reform Impacts

The fact that so many children in Los Angeles County are at risk more than justifies concerns about the future impact of welfare reform on this population. To be certain, some parents currently receiving public assistance will successfully move into the workforce. However, that transition by itself provides no guarantee of a family's financial security. We need only to look at the results of the Greater Avenues to Independence (GAIN) program to see that many working parents have a continued need for cash and other types of assistance in order to make ends meet. Caregivers and children's advocates are concerned primarily about the effects of time limits and work requirements on family income and of food stamp cuts on child nutrition, as well as an increased (and perhaps an impossible to meet) demand for child care assistance. The City of Los Angeles expects a number of additional human services impacts pertaining to children including increased needs for delinquency prevention programs, counseling and case management for families, youth and at-risk homeless youth programs; and assistance with finding housing. We turn now to a more detailed examination of these potential impacts.

Family Income Instability

It has been noted that poverty is the most important predictor of negative outcomes for children with regard to abuse and neglect, poor health, school failure, teen pregnancy, crime and delinquency.[81] And while there are few who would claim the current welfare system functions perfectly, there is no denying that it has decreased rates of poverty for children and families in the United States. One study employing Census data found that in 1995, government programs including cash assistance, food stamps, housing assistance, school lunch support and other benefits helped reduce the number of people living below the

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77 Los Angeles County's Children's Planning Council and United Way, op cit.

78 Children Now, op cit.

79 Los Angeles County's Children's Planning Council and United Way, op cit.

80 Pyle, Amy. 1996. "Most L.A. Schools' Scores Decline in Basic Skills Test," *Los Angeles Times*, December 7, 1996, B3.

81 Handler, Joel. 1996. "Welfare Reform: The Impact on California."

poverty level in the nation from 57.6 to 30.3 million, a nearly 50 percent reduction.[82] This same study concluded that, especially in periods of economic recession, "the stronger the safety net, is, the more people it lifts out of poverty." Conversely, when the safety net is reduced, poverty rates increase.

Nationwide, welfare reform could push an additional 2.6 million individuals, 1.1 million of them children, below the poverty line.[83] The Urban Institute estimates that one-fifth of all families with children will see their income fall by about $1,300 per year. Of those affected, half are families in which an adult is already working and four-fifths of these families have incomes below 150 percent of the poverty line. Furthermore, two-parent working families with kids would lose an average of $1,540 a year and single parents with kids would lose an average of $1,160. Bringing it slightly closer to home, the Children's Defense Fund has estimated that 252,700 children in California will be impoverished as a result of welfare reform provisions.[84]

In Los Angeles County, many poor families will have their financial situation affected in a number of ways. All families receiving AFDC (over 300,000 families) will have their monthly benefits reduced 4.9 percent, an average annual loss of $348 for a family of three. In section 3 of this study we estimated that anywhere from approximately 3,000 to 15,000 families could lose their monthly AFDC benefits because of failure to meet paternity establishment requirements or because of a drug related felony. Work requirements could also cause many families to lose assistance over the next five years. Our estimates show that over five years, net case terminations could range (depending on scenario) from 325,000 to nearly 500,000 (or an average of 65,000 - 100,000 cases a year). Thus, as many families cycle on and off of welfare, their incomes will fluctuate considerably, creating financial instability for parents and children.

Despite the possibility of such "churning," a significant portion of families will eventually run up against the five-year, life time limit on receiving aid and be cut off permanently. In our Low Impact scenario, we assume all families will manage to meet work requirements but that in year six, 25 percent of the current AFDC caseload, or nearly 75,000 families, will reach the five-year limit and be cut off from assistance. In our Medium and High Impact scenarios, fewer families reach the five-year limit by year six but only because they have cycled on and off so often that it will take longer for them to exhaust their five years of eligibility for assistance. Both the work requirements and five year limit are especially unfair to unemployed adults who are providing care, and receiving assistance for their grandchildren. The American Association of Retired Persons' has estimated as many as 75 percent of families headed by

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82 Primus, Wendell, Kathryn Porter, Margery Ditto and Mitchell Kent. 11/15/96. "The Safety Net Delivers: The Effects of Government Benefit Programs in Reducing Poverty." Washington, DC: Center on Budget and Policy Priorities.

83 The Urban Institute, op cit.

84 The Children's Defense Fund. 7/ 31/96. "State-by-State Analysis of Children Made Poor Under Proposed Welfare Legislation."

grandparents in California receive AFDC.[85] Applying this to the 150,000 grandparent-headed households in Los Angeles County in 1990 would translate to approximately 112,000 families in this category at risk of losing assistance should they fail to meet work requirements or hit the five year limit.

Earnings from work, increased food stamp allotments, and additional housing and child care assistance can help ease some of these impacts, but overall, families will most likely experience greater financial stress than they did prior to welfare reform. A recent study conducted by the Washington-based Wider Opportunities for Women found that a mother with one child living in Los Angeles would have to earn over $13 an hour in order to afford the costs of housing, child care, transportation and medical needs.[86] It therefore seems impractical to expect current welfare recipients to support their families on minimum wage[87] incomes without considerable assistance from the government in these areas. Los Angeles County Department of Children and Family Services officials have themselves expressed concern that with increased instability and stress will come an increased occurrence of child abuse. Additionally, they fear that "parents may no longer be able to feed, clothe, provide shelter and medical care for their children, which is by definition 'neglect'." These consequences are discussed next.

Rising Neglect, Abuse, and Foster Care Placements

A national study of child abuse and neglect in 1993 found that children with family incomes below $15,000 a year were 22 to 25 times more likely to "experience some form of maltreatment" than children with family incomes of $30,000 or more.[88] These findings were in accord with the results of an earlier version of the same study performed in 1986. Furthermore, the differential between children in the two income groups was so great it could not be plausibly explained by lower income families being more visible to community professionals. As welfare reform leads to falling incomes and increased incidents of child abuse and neglect, Los Angeles County can also expect an increased need for child protective services. Recent history bears this out: the 6 percent reduction in AFDC benefits implemented in 1992 was followed by a 20 percent increase in the number of child abuse cases reported and a 10 percent increase in the number of children entering the child protective system.[89] Such a potential increase in the demand for protective services could overwhelm the system and lead to the premature closing of existing cases to make way for an explosion of new cases, a concern recently reported in the New York City area.[90]

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85 Rivera, Carla. 1996. "Grandparents Fear Welfare Crisis." *Los Angeles Times*, 11/24/96, A1.

86 Ellis, Virginia. 1997. "Study Tracks Pay That Women Need to Escape Welfare." *Los Angeles Times*, 1/28/97.

87 The minimum wage in California will be increased to $5 an hour in March of 1997.

88 Social Legislation Information Service. 8/23/96. "Child Abuse and Neglect National Incidence Study." *Washington Social Legislation Bulletin*, Volume 34, Issue 42.

89 Handler, Joel, op cit, 1996.

90 "Child Welfare Workers Say They Are Pressured," *New York Times*, 2/22/97.

Los Angeles County identifies the main populations at risk of needing child protective services as: children of legal immigrant parents if the state opts to exclude them from TANF benefits; children of parents convicted of a drug-related felony who lose benefits (currently 80 percent of kids in child protective services belong to families with a history of substance abuse); and disabled children losing SSI.[91] The County has estimated that if 5 percent of the 6,000 children in the county who must have their eligibility reviewed (300 children) lose benefits and require DCFS assistance, the annual cost to the County would be more than $4 million a year. Such increases will come just as certain key sources of funding for child protective services are threatened by welfare reform. In the past, child protective services were funded through the Emergency Assistance (EA) program, a part of the previous Title IV-A funding (for programs such as AFDC, Jobs, and Child Care). Because the EA program has been eliminated from the new TANF block grant, Los Angeles County will lose this funding source for child protective services unless it and other counties receive their fair share of those funds included in the new TANF block grant. The share of this funding that would be used for child protective services in Los Angeles is $33 million and another $48.5 million in emergency assistance funding would be used to support juvenile probation camps (housing 2200 youth in Los Angeles County).[92] Additional funding for child protective services derived from the Title XX Social Service Block Grant could be at risk due to the 15 percent reduction in this funding stream.

Additionally, there could be a growing number of children requiring foster care services as their families are terminated from TANF because of work requirements. Based on the assumption that 15 percent of those children from terminated families move into the foster care system, our scenarios in Section 3.B (TANF) yield estimates ranging from an average of over 3,200 children a year to over 21,000 children a year added to the current caseload over the next five years. Such significant increases in the foster care caseload mean not only higher program costs, since foster care costs approximately eleven times what it costs to maintain a child in-home with AFDC benefits, but also a possible escalation of many of the negative "side effects" currently tied to foster care placement.

Of the approximately 1,000 youth who age out of the foster care system in Los Angeles County each year, 45 percent transition directly to homelessness or have "such precarious living situations/plans that they are likely to be homeless in a very short time."[93] Furthermore, of 300 homeless youth surveyed in Los Angeles County, 61 percent had lived in foster care or group homes. This is not meant to suggest that foster care placement causes homelessness but that for a variety of reasons foster care youth may face a

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91 Los Angeles County issued handout - "Initial Impact of Welfare Reform on Los Angeles County: Report #1." 11/4/96

92 LA County Memo. 11/14/96. "Ten Major Impacts."

93 Shelter Partnership, Inc. 11/96. "Special Needs Housing Plan for Emancipated Foster Youth in Los Angeles County." Los Angeles: Shelter Partnership, Inc.

heightened risk of becoming homeless. Thus as the number of emancipated foster care youth grows as a result of welfare reform, the number of homeless youth may also rise. Noting the current shortage of transitional housing beds available to emancipated foster care youth (in October 1996, there were only 268 transitional housing beds in Los Angeles County for homeless youth, either specifically for emancipated youth or individuals in a similar age range),[94] it seems unlikely that the housing needs of this population will be met, even with considerable program expansion in the future. Furthermore, the high prevalence of mental health problems among homeless youth suggests future implications for the provision of mental health services in the region. A Children's Hospital Los Angeles study found that homeless youth in the Hollywood area suffered high rates of clinical depression (64 percent), suicidal ideation (62 percent), suicide attempts (39 percent) and self-injurious behavior (49 percent).[95]

Foster care emancipated youth experience a number of other disadvantages compared to the general youth population in the United States. These include a decreased level of educational achievement, insufficient job experience and increased rates of teen pregnancy, drug abuse and health problems. Nearly 80 percent of California's children in foster care are estimated to have emotional, developmental, or behavioral problems; up to 60 percent suffer from moderate to severe mental health problems; 40 percent have physical health problems; they are 10 times more likely to use mental health services; and they are likely to be hospitalized twice as long as other poor children.[96]

While foster care placement can protect a child from an abusive family life, it is not clear that the foster care system is an adequate replacement for a family whose sole shortcoming is poverty. While it would be inappropriate to blame the health/mental health, educational and socialization problems experienced by foster care youth on deficiencies of the child welfare system alone, clearly the capabilities of the current system will be jeopardized by a potential explosion in the number of children needing placement.

Insufficient & Low Quality Child Care

One of the most daunting challenges ahead for children and families is the acquisition of quality child care. We can expect that the current dilemma presented by an insufficient number of child care slots in the county, the share of family income needed to cover the costs of child care and the prevalence of low quality child care facilities will worsen once welfare to work requirements are fully implemented. Ironically, as the federal government attempts to force large numbers of parents, especially single parents, into the

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94 Shelter Partnership, Inc., ibid.

95 Unger, Jennifer, et al. "Homeless Youth in Los Angeles: Prevalence of Mental Health Problems and the Relationship Between Mental Health Distress and Substance Abuse Disorders." Los Angeles: Division of Adolescent Medicine, Children's Hospital Los Angeles.

96 Handler, Joel, op cit, 1996.

labor market, it has abolished the guarantee of child care for those transitioning from welfare to work which previously existed. While funding for child care programs is now provided in the form of a block grant with a slight increase in funding, already that funding is estimated to fall short of what will be needed. An examination of this issue by the National Conference of State Legislatures found that in order to place 2 million adults in jobs over the next five years, the states will have to double their existing stock of child care slots.[97]

Analysis of the share of family income spent on child care indicates that not only are more slots needed, but that these slots need to be subsidized or otherwise made affordable for the low-income parents who will need them for their children. A revealing 1995 study by the Urban Institute which profiled six communities found that "a full-time minimum wage worker paying the average cost for care for an infant in a center would pay at least 50 percent of family earnings for child care in five of the six sites."[98] Furthermore, "if the worker could obtain care with the lowest-priced provider in their community (something which is not always possible and may not be desirable in terms of quality of care), the share of family earnings spent on child care still would be more than 35 percent of earnings in four of the six sites." The study also concluded that failure to ensure child care for those transitioning off of welfare increased both the likelihood of children being left in unsafe or inappropriate settings, as well as an eventual return to the welfare caseload. All communities reported a shortage of child care slots especially for infants and school-age children, part-time care and non-traditional hours of care. Overall quality of care was perceived as being "not high" and past studies have found that "significant shares of child care of such poor quality as to interfere with children's emotional and intellectual development."[99] Factors found to result in poor quality child care were low maximum reimbursement rates (government subsidies), low wages for child care workers, low licensing standards for providers, and few, if any, regulations covering license-exempt care.

Judging from the availability and cost of child care in Los Angeles County, the picture seems no brighter in our region. The Los Angeles County Children's Planning Council found that in 1990/91, average child care fees were $115/week for an infant in a child care center or $82 a week for an infant in a family child care home. Child care for a pre-schooler was $80 in a child care center and $75 a week in a family care home.[100] For a parent with gross weekly earnings of less than $200 at a full-time minimum wage job, these fees approach or exceed 50 percent of the family's earned income. In 1992, there were an

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97 Tweedie, Jack. 1/97. "Welfare: What Now?" *National Conference of State Legislatures.*

98 Clark, Sandra and Sharon Long. 4/95. "Child Care Prices: A Profile of Six Communities." Washington, D.C.: The Urban Institute, p. 1.

99 Clark and Long, ibid, p. 2.

100 Los Angeles County's Children's Planning Council, op cit, June 1, 1993.

estimated 163,600 child care spaces available in Los Angeles County, an increase of 32 percent since 1986.[101] While there are no accurate measures of the increase in need during this time against which to compare the increase in child care availability, it was estimated in 1987 that there was a shortage of 155,000 child care spaces for children ages 0-12. Los Angeles County officials have estimated that as a result of welfare reform alone, an additional 31,000 child care spaces will be needed by the year 2001.[102] This number is in addition to the existing shortage of child care slots for the children of working parents.

D. Housing & Homelessness

Welfare reform and related measures will exert powerful economic pressures on many recipient households, and can therefore be expected to influence the housing status of those households as they seek to balance needs for food, clothing, medical care, transportation, child care, and other basic necessities against the cost of shelter. Unless the state creates a viable safety net to replace the loss of federal entitlements, the results are likely to be increased housing cost burdens for already overburdened households; growth in residential crowding; and surging homelessness.

In this section of the report, we assess the general context of housing in Los Angeles, in particular focusing on trends in rent, cost burdens, and overcrowded housing in the private housing market, and availability of publicly subsidized units. This assessment portrays a county housing market in which the number of precariously housed households has grown rapidly, and the pool of individuals at risk of homelessness is larger now than anytime during the last decade and a half. Next, we consider the impact of welfare reform measures on public, subsidized, and nonprofit housing tenants and stock. We also show that a significant share of Los Angeles County's nonprofit and public housing tenants may be impacted by welfare reform, and housing providers will experience a major shortfall of revenues from rents as tenant ability to meet monthly rental payment obligations falls. Although the U.S. Department of Housing and Urban Development will absorb some of the impacts of falling incomes among former TANF and SSI recipients, HUD's own budget difficulties resulting from the need to preserve existing affordable housing are so serious that regional growth in federally subsidized housing units will be negligible. Lastly, we explain why the prevalence of overcrowding and homelessness may grow in Los Angeles.

General Housing Context

Although a majority of housing units in Los Angeles County are owned rather than rented, home ownership rates are lower than in the rest of the nation, and they fell slightly over the 1980s. In the City of

101 Los Angeles County's Children's Planning Council, ibid.

102 Los Angeles County, op cit., 11/4/96.

LA, a majority of households rent, and this share has been steadily rising, putting additional pressure on the rental housing stock. Housing prices and rents skyrocketed during this decade; in real terms rents rose over 50 percent between 1980 and 1990, and housing prices, which had been equal to the national average in 1974, were 55 percent above that norm by the mid-1980s.[103] Prices and rents fell as the recession of the early 1990s settled in, but in the lowest reaches of the market, demand so outstripped supply and tenant incomes fell so quickly that there was little if any relief. For example, between 1987 and 1993, rents in the City of Los Angeles' rent stabilized housing stock fell 4 percent in real terms, but median tenant incomes fell so fast (dropping by more than a third between 1990 and 1993 alone) that housing cost burdens rose rapidly; during this period the share of households paying less than 20 percent of the income for rent was cut in half, while the share paying more than 40 percent of income increased by 60 percent.[104] Currently, housing prices and rents in most parts of the Southern California region are beginning to rebound.

Vacancy rates for the most affordable units are extraordinarily low, and the volume of new affordable housing construction in recent years has been negligible. Combined with sharply climbing rent burdens and falling incomes, making it increasingly difficult for young people to establish their own households, the result has been an upsurge in residential crowding. Almost all overcrowding is experienced by renters; the share of crowded renter households, where crowding is defined as more than 1 person per room, rose almost 19 percentage points, to 27 percent of all renters in the county. Rates of extreme crowding, or more than 1.5 persons per room, rose the fastest. Rates of crowding are highest among the county's Latino and Asian sub-populations.

A useful summary measure of the depth of housing problems is the share of households considered to be "precariously housed."[105] The precariously housed population consists of renter households with incomes 50 percent or less than median county income (adjusted for household size), and whose housing payment burdens were 50 percent or more. Between 1980 and 1990, the percent of precariously housed households rose from just over eight percent, or 224,320 households, to almost 10 percent, or 288,123 households, for a net increase of almost 64,000 households. In comparison, during this same period the share of precariously housed households in the U.S. as a whole rose from about 5.1 to 5.6 percent; Los Angeles thus experienced a growth in precarious housing that was three times that of the nation.

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103 Wolch, Jennifer, and Wei Li. "The Shifting Margins of Housing Status in Los Angeles," *Social Science Research* (forthcoming); William C. Baer. 1986. "The Shadow Market in Housing." *Scientific American*. 255: 29-35.

104 Hamilton, Ravinovitz & Alschuler, Inc. 1994. "Rental Housing Study 1994. Los Angeles: City of Los Angeles Department of Rent Stabilization."

105 Myers, Dowell, and Jennifer Wolch. 1995. "The Polarization of Housing Status," pp. 269-234 in Reynolds Farley (Ed.) *State of the Union: America in the 1990s*. Vol 1: Economic Trends. New York: Russell Sage.

As a growing number of households have become precariously housed, more and more families have turned to unconventional sources for shelter, especially garages. By the mid-1980s, an estimated 42,000 families were living in garages, many of which were unimproved and/or illegally converted. The continued prevalence of garage living was tragically driven home in December of 1996 when five children burned to death in a garage that caught fire in Watts.[106]

Housing Circumstances of Public Assistance Households

Households reliant on public assistance, regardless of program, are likely to be precariously housed. Even households receiving the maximum grants under AFDC, SSI, or GR are almost invariably in dire housing circumstances if they rent in the private rental market. In that market, they must compete not only with others on public assistance, but large numbers of working poor and non-poor households seeking affordable shelter.

One way to comprehend the depth of the affordability crisis facing those on public assistance is to compare their incomes with the locale-specific fair market rent (FMR). The FMR is intended to approximate typical regional rent levels for standard apartments and is used by HUD to determine the level of subsidy provided under the Section 8 program. These hypothetical rent-to-income ratios can then be compared with the 30 percent rent burden conventionally used as the upper limit of affordability. In 1990, the last date for which we have complete housing stock data for the county, only 48 percent of all renter households could afford the FMR for a one-bedroom unit in effect at that time, and only 41 percent could afford a two-bedroom unit.[107]

The FMR for a studio in 1996 was $564 per month; $676 for a one-bedroom unit; $855 for a two-bedroom unit. An individual working full-time would need to earn $14/hour -- 295 percent of the minimum wage -- to afford a one-bedroom apartment at FMR. Public assistance "wages" are far lower, and thus private market housing was even less affordable than for low-wage workers. A four-person household with a maximum AFDC grant of $707 in 1996, who should have been paying $212/month (30 percent of their grant) for an affordable unit, would have faced an FMR for a two-bedroom apartment equivalent to 121 percent of their total assistant payment. Individuals reliant on General Relief are in even worse situations: under the terms of their $212 monthly maximum benefit, they are only allowed to spend $183 for housing. A FMR studio costs over 300 percent of this allowance. Even a GR client fortunate enough to find a housing unit for their housing allowance would have only $29/month plus Food Stamps to live on.

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106 Wilogren, Jodi, and Larry Gordon. 1996. "Illegal Housing Persists." *Los Angeles Times*, 12/20/96, B1,6.

107 Wolch, Jennifer, and Michael Dear. 1993. Malign Neglect: Homelessness in an American City. San Francisco: Jossey-Bass, p. 79.

Public assistance households are pitted against the working poor in the scramble to obtain the very cheapest housing units. As of 1990, there were only 63,645 housing units in the county (of any size) renting for less than $200. Since the vast majority of AFDC families have 4 or fewer persons and thus should be spending (maximum) around $200 on rent, this is the dwelling stock for which such families are most apt to be competing. Assuming that the number of such affordable units has remained relatively stable since 1990 (with slightly declining rents being balanced by demolition of older, cheaper units); and given a 1996 AFDC total caseload of more than 300,00, this translates into at least 5 AFDC families for every housing unit affordable to them, and more than 6.9 households competing for each of these units if both AFDC and GR households are counted. Taking working poor households into account, the ratio is undoubtedly far higher (in the late 1980s, prior to the onset of the most recent recession and associated caseload growth, the ratio was estimated to have been as high as 8 to 1[108]). And it must be remembered that many of the most affordable units are occupied by non-poor households; by 1980, before the steep rent run-ups of mid-decade, there were already twice as many very low-income renter households as there were units they could afford, and half of such units were claimed by non-poor households.[109]

How have households managed under such dire housing circumstances? Surging rates of residential crowding suggest that doubling up in order to make ends meet (despite risks of exceeding landlord-specified occupancy limits) is perhaps the dominant adaptive response. The widespread occupancy of unconventional shelter spaces, such as garages, indicates another avenue of adjustment. Some aid recipients, especially those reliant on GR, live as boarders in other households, paying a share of their modest grant in exchange for a room. Others take refuge in the lowest end private market housing, e.g., in the small number of remaining cheap, deteriorated private market single room occupancy hotels located in downtown Los Angeles, Hollywood and elsewhere, and a more suburban supply of residential motels.

Another avenue of response has been to seek subsidized housing. Nationwide, only about a third of AFDC recipients receive housing subsidies (down from almost 40 percent in the mid-1980s), despite the fact that they are typically eligible for assistance on the basis of income and rent burden.[110] A 1994 analysis of a California sample of AFDC recipients revealed an even lower share receiving housing assistance -- less than a quarter. [111] Similarly, most SSI recipients do not receive rental assistance, and General Relief recipients are excluded from many forms of assisted housing. There are simply not

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108 Heilman, Jeff. 1989. "Los Angeles: Low-Income Rental Housing: The Demographics and Unit Characteristics of the 1980 Stock." Working Paper #20. Los Angeles: Los Angeles Homelessness Project, University of Southern California.

109 Heilman, ibid.

110 Blank, Rebecca, and Patricia Ruggles. 1993. "Multiple Use of Public Assistance Programs." Paper presented at the Joint Statistical Meetings, San Francisco, CA., as cited in Paul Ong. 1996. "Subsidized Housing and Work Among Welfare Recipients." Working Paper #8. Berkeley: UC Data, University of California.

111 Ong, op.cit., p. 4.

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enough conventional public units, rental vouchers/certificates, or subsidized units to serve the number of eligible households..

Subsidized housing in Los Angeles represents a small share of the total rental housing stock. This stock has grown only marginally over the past 15 years. Two of the largest affordable housing providers are the Housing Authorities of the City of Los Angeles, and the County. The latter serves 49 cities and the unincorporated regions of the county.[112] The City's Housing Authority operates 10,300 units, 8,761 of which are conventional public housing units. The vacancy rate in these public housing units is less than 1 percent. The City also provides 39,816 Section 8 vouchers/certificates. In addition, there are almost 60,000 private sector housing units which have received some subsidy in exchange for maintaining affordable rents, 38,040 of which have restrictions on rent levels.[113] The County's Housing Authority administers 2,891 public housing units and 403 other assisted units, and has a Section 8 voucher/certificate allocation of 17,000. Such resources are minuscule in relation to demand. The County's *Consolidated Plan* estimates that:

- 123,280 households are on preliminary registration and waiting lists for a County Housing Authority Section 8 subsidy; people who succeed in having their names added to the list wait an average of 2-5 years before receiving assistance.
- 19,772 households are on waiting lists for one of the County Housing Authority's 2,891 public housing units.
- In 1995, the County estimated that 111,500 rent subsidies would be needed to meet the demand of low/moderate income households by the year 2000.

The County is the only Housing Authority whose waiting list is continuously open to new applicants. All other city-level Authorities in the county, whose units can only be occupied by people already resident within their jurisdiction, have closed their lists indefinitely. In addition, restrictions on rents charged by many private sector landlords who received public subsidies will expire over the coming decade. Of the 38,040 subsidized units provided by landlords in the City of Los Angeles, for example, the City's *Consolidated Plan* estimates that 16,000 will have their rent restrictions expire on or before 2001, after which time rents can float to market levels. Given the continuing tightness in low-end rental markets, many units will quickly become unaffordable and tenants will be forced to vacate their homes.

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112 County of Los Angeles. 1995. "Consolidated Plan." Los Angeles: County of Los Angeles.

113 City of Los Angeles. 1995. "Consolidated Plan." Los Angeles: City of Los Angeles.

Welfare Reform and Subsidized Housing

At present, welfare reform provisions do not extend to public or assisted housing programs per se, but reforms clearly will impact the economic status of many residents of subsidized housing. The concentration of public assistance households in the assisted housing stock means that the subsidized housing sector can expect significantly increased costs of operation, and negative effects on its ability to provide safe and decent housing to their tenants. Moreover, the loss of cash benefits may make it even more difficult for tenants of assisted housing to move out of the subsidized housing stock, leading to lowered turn-over rates and ultimately restricting the number of people able to be assisted by housing programs.

Public and assisted housing programs were largely excluded from restrictions incorporated into the welfare reform legislation.[114] Although initially defined in the draft legislation as a "federal means-tested public benefit," housing programs were later excised from the list of such benefits in the final version of the law because they have never been entitlements. Thus current non-citizen residents (both legal and undocumented) may continue to reside in public/subsidized housing units, and it appears that newly arrived legal immigrants will also be able reside in such dwellings; the five-year ban on receipt of mean-tested benefits for legal immigrants is still undetermined, and at present housing providers are not required to exclude otherwise eligible legal immigrants.[115] Newly arrived undocumented immigrants may ultimately be barred from occupancy in "assisted housing" (Section 8, Sections 235 and 236, and public housing), however no regulations to that effect are yet in place.[116] Legal interpretations of the language of both welfare reform legislation and new immigration laws (specifically, the Use of Assisted Housing by Aliens Act of 1996), which amend the HUD "non-citizen rule" issued in 1995, suggest that they are broad enough to allow HUD to reissue most of its current non-citizen rule.[117]

The welfare reform law also bars undocumented immigrants from state and local housing programs, and there is no grandfather clause for undocumented current residents. However, virtually all recently constructed assisted units were in part reliant on federal monies. There appear to be very few older assisted housing units in California that were built with all state/local funding and which receive ongoing public subsidies.[118] No determination has yet been made regarding the number of such units, or the

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114 Diaz, A. Nelson, General Counsel, U.S. Department of Housing & Urban Development. 9/10/96. "Summary of Welfare Reform Legilsation Immigration Provisions That May Apply to HUD Programs." *Memorandum to All Principal Staff.*

115 Diaz, ibid; Michael Herald. 9/23/96. "The Impact on Tenants of Low Income Housing Providers From the Federal Welfare Reform Bill and Governor Wilson's Executive Order." *Housing Now.*

116 Herald, ibid.

117 Morales, B. James. 10/8/96. "Restrictions on Federal Housing Assistance Because of a Person's Immigration Status," *Memorandum to Housing Advocates, April 5, 1996,* and "New Legislation Restricting Immigrants' Access to Federal Housing Assistance," *Memorandum to Housing Advocates.* National Center for Youth Law.

118 Herald, op.cit.

number of undocumented families resident in such units. The large number of housing units funded with a mix of state/local and federal funds from programs outside of the "assisted" housing categories (such as HOME, CDBG, tax credits) are expected to be exempt from a ban on new undocumented residents.

Recipients of emergency in-kind services supported by public resources deemed necessary for the protection of life or safety, such as emergency shelter for homeless persons, victims of domestic violence, runaways and abused or abandoned children, were excluded from immigration-related restrictions under both the welfare reform and new immigration laws.

Although the welfare reform and immigration legislation may not restrict access to subsidized housing, changes to welfare program and SSI access will have a dramatic impact on subsidized housing providers due to the income reductions that many recipients will experience. In most HUD-assisted housing, tenants are required to pay rent equal to 30 percent of their adjusted monthly cash income. When tenant incomes fall, so do their rent payments, and thus rent subsidies rise. For example, in 1996-97, the average U.S. public housing operating subsidy was $41 per unit; average subsidies for a Section 8 unit was $46. HUD estimates that by the year 2000, when the welfare reform measure is fully implemented (i.e. when time-limits are fully operative), such subsidy rates will have grown to $135 and $153, respectively -- increases of over 200 percent.[119] However, many families losing Food Stamp and/or Medi-Cal benefits will not enjoy such rent subsidy increases, since HUD has no authority to account for in-kind income in calculations of tenant rents. Thus many subsidized housing residents will have sharply reduced ability to pay for food and medical care costs. In such situations, many families will either underpay their rent, pay it late, or not pay rent at all. This will increase the cost of administering public and Section 8 housing, increase eviction rates and thus tenant turn-over rates, and may lead private sector landlords to be increasingly unwilling to rent to households with Section 8 certificates or vouchers.

Welfare Reform and Housing Affordability Problems in Los Angeles

Clearly, the across-the-board benefit reductions of almost 5 percent affecting all TANF households, and eligibility restrictions that will, under any conceivable scenario, deny aid entirely to many now reliant on AFDC, SSI or GR, will make the housing situation even worse for those in the private rental market. Inability to meet rent obligations will inevitably mean eviction. Even family, friends, and boarders who "rent" on an informal basis are apt to be put out, since their "landlords" are most often very low-income households only willing to share their limited housing space because they themselves need help with the rent. The low-end SRO market may be devastated, as tenants can no longer afford even this minimal level of rent and vacancies rise.

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119 U.S. Department of Housing & Urban Development, Office of Policy Development. 10/9/96. "The Impacts of Federal Welfare Reform on HUD Public and Assisted Housing: An Initial Assessment." Draft.

Reforms are apt to have four basic impacts on the already grim subsidized housing picture in Los Angeles. First, local housing authorities and nonprofit housing providers will see their revenues from tenant rents fall as a result of welfare reform. This is because most families who receive housing assistance rely on some form of public cash aid. In the City of Los Angeles, for example, 49 percent of public housing tenants depend entirely upon AFDC, and about 8 percent get both AFDC and wages. These families, at a minimum, suffered a 4.9 percent reduction in cash benefits as of January 1, 1997. Over a fifth of residents rely on SSI, of which more than a quarter are non-citizens who will lose their eligibility for benefits. Of the 39,816 households living in Section 8 assisted units, 35 percent receive AFDC only, and 6 percent rely upon both AFDC and wages from work; their incomes have fallen also 4.9 percent. About 36 percent of Section 8 recipients depend on SSI, of which 5 percent are non-citizens who will no longer be eligible for these benefits. In sum, approximately 1,175 non-citizen households in public housing or Section 8 assisted units will face benefit reduction or elimination. The City of Los Angeles Housing Authority[120] estimates that even if the state retains a minimal safety net program (for example, the $156/month SSP payment), the loss of SSI benefits alone will mean:

- $712,000 loss of conventional public housing rents (assuming 25 percent of SSI recipients in public house are legal immigrants);
- $3.3 million needed to cover additional Housing Assistance Payments for Existing Section 8 households (assuming 5 percent of SSI recipients in such units are legal immigrants); and
- $164,000 in lost rental income loss for legal immigrant families in New Construction Section 8 units (assuming 100 families in the type of housing are legal immigrants on SSI).

Combined, these figures suggest that welfare reform measures barring legal immigrants from receipt of SSI will cost the City of Los Angeles Housing Authority almost $4.2 million annually, either in increased housing benefit payments or losses in rental income. In addition, 263 children receiving SSI live in city-owned public housing; loss of eligibility for these children will mean further costs for the Authority. As households see reductions in Food Stamp and other benefits, rent streams will also be affected; since like HUD, housing authorities cannot include in-kind benefits in their calculations of income or rent, in-kind benefit losses will force families to choose between food or medical care and paying the rent, and many will have no option but to pay their rent late, meet only part of their rent obligation, or avoid paying rent altogether.

For those nonprofit housing providers dependent upon tenant rents to cover both operating expenses and

120 Griffin, Ed, Housing Officer for the City of Los Angeles Housing Authority. 11/20/96. "Welfare Reform." Memorandum.

mortgage obligations, welfare reform may promise even more serious dilemmas. A number of nonprofit SRO providers, for example, house tenants reliant on various forms of public cash assistance (versus tenant-based Section 8 Subsidies). As some share of those tenants experience benefit reductions or terminations, rent streams may shrink. This may lead not only to disinvestment in property maintenance, but actual default on loan commitments.

Second, losses on the part of both public and private nonprofit housing providers across the county, such as those described for the City of Los Angeles Housing Authority, will result in a reduction in provision of critical ancillary services for public housing tenants and other subsidized residents. For example, rental income helps to fund security and a wide range of human services designed to promote tenant self-sufficiency (such as employment training, child care, vocational education). Public housing quality and services, already under siege due to inadequate funds for modernization and problems associated with their location in decaying, impoverished, and gang-ridden neighborhoods, will thus deteriorate even further.

Third, reform measures will deepen the inequities between poor households who receive housing assistance and those who do not. Because tenant rent obligations fall along with their cash income, the impacts of benefit reduction/loss will be buffered for those households living in public or assisted units -- households which already receive a far higher subsidy package. In Los Angeles County during the mid-1980's, for example, Painter estimated the maximum value of AFDC, Food Stamps, and Medi-Cal at $1,141 per household/month; subsidized housing residents received an additional $567 worth of assistance, and thus their benefit package was almost 50 percent larger than those welfare recipients who were unable to obtain housing subsidies.[121] Painter's multi-metropolitan area analysis also revealed that housing programs raised the disincentives of moving off welfare by an additional 34 percent when compared to the entitlement portion of the benefit package. In housing markets such as Los Angeles, where rent escalation during the latter part of the 1980's was particularly severe, such disincentives are apt to have climbed sharply. In addition, because assisted housing units in Los Angeles, especially conventional public housing projects, are heavily concentrated in the central portion of the county whereas job opportunities are most plentiful at the periphery, assisted households are rooted in those geographical areas least accessible to jobs allowing them to transition from welfare to work.[122] Welfare reforms will thus only enlarge disincentives to move from assisted to market-rate housing, making it harder for subsidized housing tenants to vacate their units. This will dampen the rate at which subsidized housing opportunities turn over, and ultimately reduce the total number of households which can be helped by publicly-

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121 Painter, Gary. 1996. "Welfare Reform: What Can We Learn from the Rationing of Housing Assistance?" (unpublished doctoral dissertation) Berkeley: Department of Economics, University of California at Berkeley.

122 Ong, op. cit.

supported afforded housing assistance.

Fourth, falling tenant incomes in private, unsubsidized housing could stimulate residential abandonment in some parts of the county. Despite high levels of demand for low-cost housing, in some neighborhoods incomes may fall due to direct loss in household public assistance income, multiplier effects leading to job and wage/salary income losses, and falling wage levels among low-wage workers arising from the entry of large numbers of additional job seekers into the secondary labor market. As reported in section 3.A, input-output model estimates suggest an annual loss in property income ranging from $57 - $731million, depending on scenario. Rapid rates of international immigration have, in recent decades, buoyed the demand for housing, but Los Angeles has experienced both a decline in immigration rates, increasing levels of poverty among newly arrived immigrant households, and a significant outflow of native-born low-income households. In combination, this may lead to landlord disinvestment and ultimately property abandonment. Such abandonment will not be a result of an excess supply, but rather tenant incomes which in some housing sub-markets are simply too low to sustain private market housing provision.

Lastly, welfare reform measures will expand the number of Los Angeles households with rent burdens at or above 50 percent, making them eligible for federal housing assistance preferences, and needing such housing assistance. Thus more and more pressure will be placed on housing providers to assist local families. In light of the fact that housing assistance is now available to such a small share of eligible households, this will situation will not be a new one. It may, however, create the impetus for growth in the nonprofit housing development sector, as additional community institutions (especially religious organizations) attempt to provide relief from the privations created by welfare reform. Although welcome given the region's historically low level of nonprofit housing activity, such an expansion may only serve to heighten competition for scarce housing resources such as tax credits, and HUD dollars, forcing providers to spend energies fundraising, unless resources expand to offset the growth in need for affordable shelter. Can local housing authorities or nonprofit providers expect additional assistance from HUD to create new affordable housing resources or provide additional households with rent subsidies?

Given recent historical trends in federal allocations for housing, and the problems faced by HUD in the form of uncontrolled spending, it is unlikely that any additional housing resources will be forthcoming -- in fact the reverse is almost inevitable. Politically, HUD as a department remains under continued attack by Congress, with proposals for elimination or radical downsizing put forward repeatedly. But perhaps more threatening is the fact that past mechanisms used to stimulate affordable housing production, and growth of the Section 8 program, have caused HUD's share of domestic discretionary spending to rise rapidly, so that it now consumes a full 10 percent of all such spending. Older supply-side subsidy programs continue to claim significant resources in order to prevent project foreclosures, and to avoid mass evictions, Section

8 contracts must be renewed every 5 or 10 years and thus the costs of the program increase cumulatively with every addition to the Section 8-subsidized inventory. Renewals required to maintain existing subsidies (rather than any additions to the subsidized stock) now take a lion's share of HUD's resources, and the funding needed for contract renewals continues to soar. In addition, because the incomes of families served by subsidized housing have fallen steadily since 1980, and maintenance and operating costs have increased faster than inflation, the cost of supporting each unit has grown faster than the growth rate of supported units. Given Congressional limits imposed on deficit spending, there is severe downward pressure on HUD budgets and the number of assisted units is apt to decline rather than expand regardless of need levels.

The Department's FY95 budget, originally set at $25.4 billion, was ultimately reduced to $20.1 billion, a 21 percent cut, and the FY96 authorization was reduced a further 5 percent so that the HUD budget fell more than a quarter within the space of a single year.[123] The most recent FY96 budget included no new funds for public housing, and the FY97 request included $970 million in new funds for public housing, but much of this is for operation of existing units and demolition/replacement of distressed units. Preservation funds included in the budget were extremely limited ($624 million), and homeless funds were cut. In addition, there is conflict within the HUD budget between programs. As costs associated with meeting contractual obligations of Section 8 rise, discretionary programs such as public housing, homeless programs, and community development programs are being downsized. In order to continue extending housing assistance to those in welfare-to-work programs or displaced due to other program changes, the Department has proposed making available new Section 8 contracts which would last only one year instead of the traditional five or 10 years. Plans to phase out 900,000 Section 8 units and mainstream them into the conventional market in order to ease the fiscal pressure on HUD were proposed in 1995 and 1996, but were not adopted (nor were other solutions to the contract renewal problems effectuated). Any such approach would ultimately undermine project-based subsidized housing, causing the number of households and units assisted to drop dramatically.

Homelessness

Even under our Low Impact scenario, substantial numbers of individuals and families will be negatively impacted by welfare reform legislation due to benefit reduction and/or loss. Economic losses sustained by the region estimated under reasonable assumptions, will mean that other (non-recipient) county residents will suffer job and income losses as a result of welfare reform as well. And lack of growth in affordable housing opportunities will mean that those who experience difficulty in paying for market-rate housing are

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123 National Low Income Housing Coalition and the National Congress for Community Economic Development. 1996. "Federal Policy in Transition." Washington, DC: NLIHC/NCCED.

unlikely to be assisted by government housing subsidies. It is therefore impossible to escape the conclusion that Los Angeles will experience a rise in the prevalence of homelessness as the impacts of welfare reform unfold. In particular, the number of families and children apt to become homeless is likely to increase dramatically.

It is difficult to estimate with any precision the numbers of additional people who may become homeless. However, academic studies of homelessness done over the past 15 years are not reassuring. These studies agree that falling incomes resulting from job loss and reductions in the real value of welfare benefits during this period, combined with a lack of affordable housing opportunities, created a growing pool of people at risk of becoming homeless. Those experiencing a life crisis (such as domestic violence or eviction), living in family situations reducing employability (such as having small children to care for), or coping with personal vulnerabilities limiting employment chances (such as mental disability, substance abuse, or health problems), were the most likely to become homeless -- especially those also lacking an adequate social support network. Most people were homeless for a relatively short period of time; those most apt to exit the street and stay housed either resolved personal problems and resumed participation in the paid labor force, enabling them to once again afford market-rate housing; or they were able to obtain a Section 8 subsidy or of other housing assistance. Those most apt to remain homeless were once again those with personal vulnerabilities, but also those with the most limited job options and eligibility for public assistance. Thus in Los Angeles, for example, African American men who in years past would have found work in the county's centrally-located traditional manufacturing districts, were least able to find work and thus exit the streets. Single people eligible only for GR and those with chronic health/mental health problems were also more likely to become chronically or cyclically homeless.

Although great attention has been paid to the role of personal vulnerabilities such as mental disability as proximate causes of homelessness, it is important to emphasize that economic status is crucial in the production of homelessness. A recent study by Bassuk, Brown and Buckner, for example, revealed that among poor mothers with children rates of many stress-related disabilities (for example, post-traumatic stress disorder, depression, substance abuse) were disproportionately high compared to the general population but did not differ according to housing status.[124] Rather, economic differentials related to receipt of AFDC appear to have been the most critical determinant of which families became homeless. With the onset of welfare reform, there are no longer any entitlements to public assistance; and the numbers of people lacking any categorical eligibility for benefits aside from GR will rise even in the most optimistic of scenarios. In the absence of additional affordable housing or significantly expanded

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124 Bassuk, L. Ellen, Angela Browne, and John C. Buckner. 10/96. "Single Mothers and Welfare." *Scientific American*. pp. 60-67.

employment opportunities, it is clear that the prevalence of homelessness will rise, and the ability of people to exit the streets will decline, both dynamics leading to surging numbers of homeless people, especially families with children.

Will our existing shelter provision system have the capacity to absorb any significant increase in homelessness resulting from welfare reform? The answer is no, and thus the number of people who become homeless and are forced to live on the street for some period of time will go up. According to data from Shelter Partnership's 1996 inventory of homeless shelters and transitional housing programs in Los Angeles County, 301 such short-term housing programs are operated by 152 agencies providing 10,800 beds.[125] (This figure does not include cold-wet weather shelter beds only operating a few months of each year). Although the number of beds grew rapidly during the latter half of the 1990s (increasing from 2,452 beds in 1984 to 7,938 in 1990), the pace of expansion slowed down dramatically during the early 1990s, increasing by only 7 percent (or 544 beds) between 1990-93. Given downward trends in HUD funding streams (from which many shelters derive support), the number of beds is expected to grow relatively slowly over the next few years.

Almost half of all short-term housing programs charged their clients fees, ranging from a few dollars to the entire amount of a tenant's monthly public assistance grant. The trend toward fee-based shelters has been noted for some time; this portion of the short-term housing sector has grown quickly in recent years. For individuals terminated from public assistance due to time limits or withdrawal of categorical eligibility (e.g., legal immigrants), however, shelter opportunities will be restricted to free (or virtually free) facilities.

Short-term beds are concentrated in the City of Los Angeles, the location of over 7,200 or 67 percent of these beds (but only 39 percent of the county population). Other cities with substantial numbers of beds are Long Beach (668), Santa Monica (391), Pasadena (304), Bell (294) and Ingelwood (246). The largest share of beds are designated for the general adult homeless population (37 percent), with just over one-fifth being for families (22 percent) and another fifth for substance abusers (19 percent). Only 4 percent -- or less than 450 -- of total beds were reserved for people with HIV/AIDS, pregnant women and teens, and people with dual diagnoses (mental disability and substance abuse problems).

In general, individuals and families losing TANF and SSI benefits, and who are forced to rely on GR and/or periodic assistance from family/friends as their sole income sources, face greatly heightened risk of becoming homeless. Even bottom-rung housing costs are more than can be afforded by GR clients,

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125 Shelter Partnership, Inc. 1996. *1996 Short-Term Housing Directory of Los Angeles County.* Los Angeles: Shelter Partnership, Inc.

approximately 60 percent of whom currently present themselves to the GR program as homeless. The loss of SSI benefits for substance abusers, only 40 percent of whom are likely to re-qualify for SSI under a different diagnostic category, means that some share of this population may become homeless, and exceed the capacity of the 19 percent of short-term housing beds designated for people with this disability. This may occur for two reasons: first, those who had already become homeless and were then re-housed in short-term fee-for-service shelter facilities may lose their ability to pay fees assessed by short-term housing providers; second, currently housed substance abusers who lose their SSI benefits are likely to become homeless. The loss of cash assistance and especially non-emergency Medi-Cal benefits is apt to increase the number of people with special health care problems, such as HIV/AIDS, who become homeless, quickly overburdening the small segment of the short-term housing sector targeted to such clients. Lastly, and critically, the number of families facing homelessness will swamp exiting family shelter facilities. The shelter system, never designed for families, offers less than 2,400 beds to families with children in the county. Inevitably, families and children will be turned away, back onto the streets.

The estimated number of people in Los Angeles County homeless on any given night during 1993-944 was 84,300, and a total of 236,400 were homeless at some point during the year, according to Shelter Partnership figures (derived primarily from the numbers of individuals requesting public aid (GR or AFDC) reporting themselves as homeless).[126] This compares to a 1996 shelter system capacity of under 11,000 beds. Given such a pre-welfare reform shortfall in shelter bed capacity, and the finite capacity of family, friends, or charitable community-based institutions to fill the gap, the level of literal (street) homelessness is bound to rise as individuals and families are terminated from assistance or experience benefit reductions.

Using the conservative assumptions that: (1) those losing cash assistance and electing not to migrate to GR have some sort of housing alternatives; (2) loss of Food Stamps or Medi-Cal benefits does not result in homelessness; and (3) between a quarter and a half of all those migrating to GR, or losing part/all of their GR benefits under our three scenarios become homeless at some point during the year, the number of people (adults and children) apt to experience an episode of homelessness as a result of welfare reform per year (averaged over years 1-6) will grow dramatically:

- Low Impact Scenario: 9,338 to 18,676 (4 to 8 percent increase)
- Medium Impact Scenario: 62,610 to 125,220 (26 to 52 percent increase)
- High Impact Scenario: 94431 to 188,862 (40 to 80 percent increase)

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126 The estimate of homeless population on any given night was derived from annual figures, adjusted according to survey data on distributions of period of time homeless for families, and for individuals. At approximately one percent of the county population, this estimate is in general accord with rates of homelessness in other major cities where superior data collection systems exist (e.g. Philadelphia, new York). See Bruce Link.

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Under our Low Impact scenario, in which most populations do not lose cash benefits, the effects of reforms on homeless are relatively low. Under more realistic scenarios in which more individuals lose cash benefits (especially legal immigrants and families bumping up against time-limits), growth in homelessness would be far higher. Should the economy take a turn for the worse, the numbers of people on the street would expand still further, overwhelming any possible charitable or nonprofit sector emergency response. Thus the toll of welfare reform in terms of homelessness will be high, inflicting widespread suffering on the county's most vulnerable people, especially children.

E. HUNGER

Hunger is already a serious problem for many poor people in Los Angeles. This is particularly true in central area communities. A recent UCLA study found that over a quarter of residents living in a sample South Central Los Angeles neighborhood did not have sufficient money to buy adequate food supplies.[127] Likewise, levels of health problems related to poor nutrition and hunger are prevalent among low-income residents of the county. In 1991, for example, over 15 percent of the poor children screened by the Child Health and Disability prevention Program were anemic and almost 7 percent were growth-stunted; hunger also contributes to a high prevalence of low birth weight babies in the county.[128]

A complex system of public sector food programs has evolved to address problems of hunger and nutrition. In addition to Food Stamps, federal subsidies support the means-tested school breakfast and lunch programs, a program to provide milk and milk products to women, infants and children (WIC), food assistance to children in child care; and household commodities assistance to poor families. As a result of the deepening poverty linked to the 1981-82 recession and ongoing polarization of household incomes linked to economic restructuring, however, the public sector programs grew increasingly insufficient.

Requests for food assistance from charitable organizations have therefore expanded steadily. The region's emergency food distribution system has grown rapidly in response. In the late 1970s, emergency food providers were only distributing 25 million pounds of food. By 1990, distribution had grown to 450 million pounds. But after this point, just as the even deeper economic downturn of the early 1990s stimulated yet more demand for food assistance, emergency food availability began to fall dramatically,

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127 Ashman, Linda, Jaime de la Vega, Marc Dohan, Andy Fisher, Rosa Hippler, and Bill Romain (with Robert Gottlieb and Peter Sinsheimer). "Seeds of Change: Strategies for Food Security in the Inner City." Los Angeles: Southern California Interfaith Hunger Coalition.

128 California Food Policy Advocates. 6/95. "Shifting the Burden: The Impact of Congressional Proposals on Los Angeles County's Food and Nutrition System." San Francisco: California Food Policy Advocates.

reflecting a national decline in food donations (giving is down 3 percent).[129]

For example, in 1994 the Los Angeles Regional Food Bank, one of the area's largest emergency food distributors, was able to delivery almost 34 million pounds of food to agencies that serve meals and distribute grocery packages. By 1995, this figure had fallen to only 22.6 million pounds, and in 1996 only about 21 million pounds were estimated to have been delivered to the 750 local recipient agencies reliant on the Food Bank for resources.[130] Availability of nonperishable food items has become sporadic (for instance canned foods).

There are several reasons for the decline in food available for distribution to poor households. First, government sources of surplus food have shrunk rapidly. The U.S. Department of Agriculture used to provide between a third and a half of food distributed to anti-hunger programs operated by nonprofit organizations. That share has fallen to 10-20 percent as the structure of farm subsidy programs has changed. Second, food donations from the for-profit food sector have diminished due to corporate restructuring to increase efficiency and minimize "waste." For example, food producers have adopted improved inventory control procedures. At the same time, as more affluent suburban food retailing markets became saturated with competing stores, a new breed of downmarket food discounters emerged to serve cost-conscious consumers, buying much of their merchandise from mainstream retailers anxious to sell surplus food and increase profits. Such stores, which comprise the so-called "secondary" market, include 99-cent stores, and stores that market dented cans (e.g. 5 Dentco in Fontana, CA).This shift in the distribution of emergency food sources means that salvaged food now accounts for almost two-thirds of food bank supplies.[131]

In contrast to the falling supplies of non-perishables, perishable food supplies have expanded. In the east San Fernando Valley, for instance, the Hunger Fund, which distributes simple crops, grew sevenfold during its first five years of duration.[132] The group is now able to distribute 100 tons of food per week, to feed 25,000 people; most of the food is from gleaning fields. This has aided a rapidly rising population of needy people in the Valley, which experienced a doubling in its poverty rate since 1980. But while the growth of perishable food supplies is beneficial in terms of nutritional value for recipients, the logistical problem of rapid transport, storage and distribution, are severe. Many local agencies are ill-equipped, and food often goes bad and must be discarded. In addition, reliance on surplus crop foods often means that

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129 Martelle, Scott. 1997. "Food Banks in Orange County Find Cupboards Looking Bare." *Los Angeles Times*, 2/18/97. Orange County also reports a food donation crisis; giving there is at a ten year low; a major distribution center expects to be able to give ten percent less food in 1997 than in 1996.

130 Ellis, Virginia. 1996. "Food Stamp Cuts to Take Toll on Unemployed." *Los Angeles Times*, 10/5/96, A-1.

131 Standish, Marion. "California Food Policy Advocates," as quoted in Ellis, ibid.

132 Gonzales, John M. 10/26/96. "A Fresh Approach to Feeding the Poor." *Los Angeles Times*.

food programs are unable to provide a sufficient mix of food stuffs to clients.

Recent figures for the number of poor persons receiving food assistance from public programs illustrate the current magnitude of hunger and nutrition problems now. During 1993-94 the lunch program provided meals for 748,795 children, the vast majority for free, while the breakfast program served 328,115 children. During the summer, the Summer Feeding program served over 66,882 in 1994. The WIC (the Supplemental Nutrition Program for Women, Infants and Children) aided almost 400,000 people in 1994, all poor women and young children under age 5. A separate Child Care Food Program helps day care centers to provide food to children; in 1994 an average of 68,767 children in the county took advantage of this dietary supplement. Lastly, the Temporary Emergency Food Assistance Program (TEFAP) gives free commodities to needy households, and helped over a half million Los Angeles residents in 1994.[133]

With the implementation of welfare reform provisions, demand for such programs will inevitably rise dramatically, and the number of households standing in line for groceries and meals from charitable groups will grow longer even as their supplies dwindle. The large-scale loss of Food Stamp benefits as well as cash income for food, particularly among legal immigrants no longer eligible for aid, raises the spectre of spreading hunger and malnutrition in Los Angeles. Our scenarios suggest that among legal immigrant populations losing SSI and Food Stamps, loss of funds that would normally have been targeted to annual food purchases would as high as reach $185 million per year (under the High Impact scenario).. Families losing TANF benefits in Year 1 will also lose purchasing power. Although such families will be eligible for an additional $58/month in Food Stamps, these alone seldom cover a family's entire monthly food bill (Food Stamp allocations only provide about 70 cents per meal, while a nutritious meal costs approximately $1.20). Total food dollars lost directly due to benefit terminations or reductions range from $60 to $330 million per year (net of additional funds from Foster Care payments, MOE spending, and Food Stamp additions spent for food). Adding the food spending of those workers losing employment as a result of welfare reform's economic impacts (from $16 to $165 million) yields a total loss of food-related consumption power of between $76 and $495 million per year – an amount that neither public nor private charitable sectors are going to be able to replace.

F. Criminal Justice

California has experienced a reduction in the total crime rate over the last two years. Crime fell by 5.6

133 Standish, ibid., p. 5.

percent during 1994-95 alone, while the violent crime (murder, forcible rape, and aggravated assault) rate fell 4.6 percent. In Los Angeles County, violent crime rates peaked in 1990, and fell 20 percent for adults and almost 30 percent for juveniles. They remained, however, far higher than those of the state or nation (by 30 and 50 percent, respectively). [134] And in contrast to other major U.S. cities where murder rates have fallen, homicide rates in Los Angeles have recently increased.

Despite falling overall crime rates, California has the largest population of incarcerated citizens in the United States, and costs of incarceration have been steadily increasing over the past five years, and now consume 7 percent of the state budget. General fund expenditures for 1995 reached $3.9 billion, up from $3.3 billion in 1993-94. Numbers of felony admissions have increased even more sharply, rising 14 percent between 1990-95 (during which the state's population grew only 7 percent). Rates of parole violation have also increased.

The dynamics of crime and incarceration rates are complex, but the idea that crime is positively linked to a lack of access to opportunities -- especially those provided by employment, income, and education -- is powerful.[135] Some criminologists argue that crime in the U.S. is linked to a social structure that bombards people with the goal of monetary success but does not equally distribute legitimate opportunities for attaining this goal. For example, in a study of Uniform Crime Rates between 1948-1985, Devine found that both higher unemployment and rates of inflation were associated with high homicide, robbery and burglary rates.[136] Criminal activity can also be seen as resulting from motivation and criminal opportunity.[137] During spells of unemployment, criminal motivation increases due to heightened stress and alienation, and the lack of ability to participate in legitimate economic activities. Unemployment and poverty often lead individuals to cast doubt on their ability to obtain regular work, and stimulate criminal behavior. In addition, those who are unemployed have the time to pursue illegal endeavors.[138]

Other factors besides unemployment affect the propensity toward illegal or violent activity, including income inequality. Clearly, most individuals who perceive the distribution of economic resources as unfair do not resort to criminal behavior; they engage in other modes of activity such as political activism or household productive work. Nonetheless, studies of wage inequality and criminal activity reveal that

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134 Dear, Michael, (ed.). 1996. *Atlas of Southern California.* Los Angeles: Southern California Studies Center, University of Southern California.

135 Lafree, G., A.K. Drass, and P. O. Day. 1992. "Race and crime in Postwar America: Determinants of African-American and White Rates." *Criminology,* 30: 157-179.

136 Devine, 1988 op. cit.

137 Cantor and Land, 1985 op.cit.

138 Phillips, 1991 op.cit.

measures of relative deprivation are strongly linked to rates of violent crime (i.e. murder and negligent manslaughter). A similar positive relationship exists between violent crimes and poverty, and between such crimes and changes in the unemployment rate. Positive although statistically insignificant relationships also exist between wage inequality and larceny/theft, motor vehicle theft, and forcible rape. In general terms, these crimes become more prevalent as individuals adopt an increasingly inappropriate approach to eliminating the wage gap, and lash out at a system over which they feel a lack of control and an inability to influence their relative economic or social position.[139] Fowles, for instance, explains such criminal behavior as a "maladaptive approach to the psychological tension that results from the frustration and stress generated by the knowledge of inequities in the distribution of economic resources. These violent reactions may be linked to crimes of passion as opposed to crimes that require planning and foresight." [140]

If, as projected under even Low Impact scenario assumptions, significant numbers of people become poorer as a result of welfare reform provisions, and social polarization intensifies, such findings from criminological research suggest that levels of crime, violence, and ultimately incarceration in the region may be impacted. In any event, it seems almost certain that increases in petty criminal activity (shoplifting, pilferage, etc.) are to be expected as hunger and deprivation rise. A range of behaviors characteristic of literally homeless people have also become increasingly criminalized, such as trespassing, sleeping in public space, and various forms of begging. To the extent that welfare reforms increase the street population, more people will be penalized for such behaviors.

G. Neighborhood Effects

The existing geographies of poverty and welfare in Los Angeles insure that the both direct and indirect impacts of welfare reform will be felt unevenly across the county's landscape. Spatial distributions of welfare recipients vary somewhat by program (i.e. SSI, AFDC, GR, etc.), and the incidence of program change effects will not be felt uniformly in every community (for example, legal immigrants cut off from SSI may be more prevalent within the SSI population of some sub-areas of the county than others). But detailed analyses of local welfare geography indicate that a disproportionate share of poor and welfare-reliant households live in communities located within the central subregion of the county.[141] Under even

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139 Allen, C.R. "Socioeconomic Conditions and Property Crime: A Comprehensive Review and Test of the Professional Literature." *American Journal of Economics and Sociology*. 55: 293-305.

140 Fowles, R. et al. May, 1996. "Wage Inequality and Criminal Activity: An Extreme Bounds Analysis for the United States, 1975-1990." *Criminology*, vol. 34, issue 2, p. 177

141 Walsh, Jessica, and Jennifer Wolch. 1996. "Poverty and Welfare in Los Angeles 1980-95," in Michael Dear (ed.) *Atlas of Southern California*. Los Angeles: Southern California Studies Center, University of Southern California; Wolch and Dear, op cit.

the Low Impact scenario, such communities will suffer disparate impacts of changes in welfare eligibility and benefit levels. In addition, to the extent that County workers are impacted, they too are concentrated in the central subregion.[142] These areas have already been devastated by a history of deindustrialization and recession, local public sector neglect, and most recently by the civil unrest of 1992 and the Northridge earthquake. Nonetheless, many other communities outside the central sub-region have substantial numbers of aid recipients, which combined with the dispersed indirect economic impacts and tax base implications of reform measures, and spill over effects among communities adjacent to high-impact areas, means that a full spectrum of communities in Los Angeles County will be negatively affected.

Two types of indirect impacts are of particular concern in the most heavily affected areas in the county. One is the loss in consumer spending on food and other household goods and services. These sorts of goods and services are typically purchased close to home, and therefore help to support local employment. In communities such as those of the central county, already struggling to reach economic development goals, withdrawal of income and associated jobs may be devastating to neighborhood business districts.

Supermarkets and smaller food stores will be particularly affected because of their reliance on Food Stamp revenues. With the advent of welfare reform, our scenarios suggest that for the county as a whole, Food Stamp revenue losses and loss of cash assistance targeted to food purchases could range from almost $60 to $330 million. Much of this loss will be concentrated in central area communities due to heavy reliance on Food Stamp spending and public cash aid among their residents. A 1996 USC study done for RLA, for example, revealed that within two key community plan areas of the City - South Central and South East Los Angeles - with a 1990 population of almost 400,000, 43 percent of all households received Food Stamp benefits. The estimated value of these benefits was $2 million per month or $24 million annually. Since a third of the area's population are immigrants, losses of Food Stamp spending will be significant - up to $8 million per year.[143]

More generally, the ambiance of central area communities may deteriorate as other retail businesses, consumer service outlets, and entertainment facilities economize on maintenance, transition to more down-scale operations, or close completely. In light of the historical context of neglect in these communities, nothing could be worse than additional welfare-reform driven disinvestment and resource withdrawal. Anger and frustration about existing food retailing conditions, for example, which have long forced residents to rely on high-cost, low-quality "mom and pop" stores, helped to fuel both 1965 and 1992

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142 Emergency Coalition to Save Los Angeles. June, 1995. "An Alternative to Keep Los Angeles Working."

143 Jayanta Kumar Das Purkayastha. 1996. "Feeding the Inner City: Geographies of Food Retailing in South Los Angeles." MA Thesis, Department of Geography, University of Southern California.

episodes of unrest.[144] Degraded environmental conditions and lack of access to affordable essential retail services could ignite the fires of civil unrest once again.

A second and extremely serious issue relates to housing and the spectrum of abandonment. Nationwide, the portion of welfare and neighborhood payments devoted to housing (rent) in 1988 was $10 billion -- equivalent to all public funds targeted to low-income housing through formal housing assistance programs.[145] This figure underscores the fact that even in the absence of additional reductions in federal housing programs (which were spared under welfare reform), the loss of cash welfare benefits may have a dramatic and negative influence on central area housing markets. Neighborhood commercial districts could also become ghost areas, where loss of local spending power is particularly crippling to area business. Although some offsetting funds will flow into the region (from MOE spending, Foster Care payments, and so on), such funds will filter into the hands of non-recipient households and much of their housing related and consumer expenditures will occur in more affluent areas. As suggested above, the outcome may be growing cycle of abandonment in tenants become too poor to pay rents needed to cover mortgage, insurance, and maintenance costs as well as property taxes, leading property owners to default on mortgage and tax obligations, and eventually abandon properties.

Large-scale residential and commercial strip abandonment has historically been avoided in Los Angeles, due to long periods of sustained and broadly shared growth during the post-war era, steadily rising ground rents that resulted in demolition and conversion but seldom abandonment, and a massive inflow of low-wage immigrants crowded into low-cost housing. The concentration of housing-resource withdrawals linked to welfare reform and associated job losses, and loss of consumer spending power for local goods and services, combined with an ongoing downward swing in immigration rates[146] could, however, serve to add abandonment to the spectrum of community development and housing problems already facing the county. As housing or commercial properties are abandoned—even a single building—such abandonment typically spreads to affect entire blocks and neighborhoods, because of the "broken window effect." Communities could be severely jeopardized by this dynamic "domino effect," and fall into a downward spiral from which recovery is extraordinarily difficult.

Our economic analysis also suggests that, despite the concentration of certain direct and indirect effects on areas with the highest concentrations of affected aid recipients, there are many more dispersed

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144 Jayanta Jumar Das Purkayastha, ibid.

145 Newman, J. Sandra and Ann B. Schnare. 1988. *Subsidizing Shelter: The Relationship between Welfare and Housing Assistance.* Washington D.C.: Urban Institute.

146 Myers, Dowell. 1996. "Immigration," in Michael Dear (ed.) *Atlas of Southern California.* Los Angeles: Southern California Studies Center, University of Southern California.

pockets of poverty and reliance on public assistance. Moreover, conditions in a wide range of industrial sectors and occupational groups -- including many medium and high-skill occupations -- will be influenced by welfare reform as jobs are lost throughout the economy due to inter-industry linkages. This dispersion of socioeconomic impacts will translate into downward mobility for many people with no direct link to welfare, living in middle class to affluent communities typically seen as far removed from "inner city" problems and concerns. Here too, household economic resources as well as local public sector fiscal conditions are apt to deteriorate in significant and measurable ways. In particular, the tax base of city and county governments may shrink, leading to erosion of public service quantity and/or quality, and adding pressures to raise additional revenues (especially from fees and charges). Such a dynamic would worsen city-suburban fiscal disparities, potentially fueling outmigration of business and more affluent residents. The City of Los Angeles, already home to the largest numbers and shares of poor households, and the port-of-entry for the poorest international immigrants, could be especially hard hit by this outcome. Thus it is vital to recognize that although changes in welfare programs and benefits are of vital concern to past, present and future recipients and their local communities, a much broader public holds a crucial stake in the ultimate outcomes of welfare reform.

Section 5: Local Responses to Welfare Reform

Our analysis suggests that under a variety of plausible scenarios, welfare reform may have profound implications for many Los Angeles residents and communities. In this final section, we assess the capacity of two key local sectors -- the voluntary, nonprofit sector, and the County of Los Angeles -- to respond to the demands for assistance that will arise.

We pay particular attention to these two sectors for very different reasons. The nonprofit sector has been repeatedly called upon to fill the subsistence and human service gaps created by progressive weakening of the social safety net. During the welfare retrenchments of the 1980s, conservatives advocated a return to voluntarism as the solution to social spending shortfalls; for example, former Presidents Reagan and Bush explicitly solicited redoubled effort from voluntary organizations as domestic spending was scaled back (recall the "Thousand Points of Light" campaign). Now, under Democratic leadership, similar moves are underway. Indeed, President Clinton has recently joined together with former President Bush to reinvigorate the campaign for voluntarism, via the establishment of a new organization (headed by General Colin Powell), specifically dedicated to this goal. In contrast, counties in the state of California are legally mandated to protect the health and welfare of their residents, regardless of eligibility for state or federally funded assistance programs. Although this is a mandate that some counties would prefer to shed, and that Governor Pete Wilson has proposed lifting, the fact remains that at present counties like

Los Angeles remain bound to provide a safety net of last resort to local residents. This legal obligation does not extend to California's municipalities, and although some cities do spend significant quantities of both General Fund monies and intergovernmental grants on human services, none in Los Angeles County offer means-tested cash income supports and a relatively small number provide extensive in-kind goods to needy people (such as food or clothing vouchers, emergency or transitional shelter, health services, etc.)[1] And although some (especially affluent) cities could afford to do more, most are fiscally strapped and unable to raise significant additional revenues. Thus it is crucial to consider the extent to which either the non-profit sector or the County (with or without additional municipal effort) may be willing and/or able to respond to the impacts of welfare reform.

A. The Capacities Of The Non-Profit Sector

Welfare reform will reduce caseloads without necessarily mitigating high levels of need for welfare and social services across Los Angeles. Indeed, as our analysis suggests, over time needs for cash and in-kind assistance will grow. As restrictions on eligibility and time-limits come into effect, the Los Angeles nonprofit sector will become increasingly central in efforts to assist the region's poor.

This section reviews the evidence about the implications of welfare reform for the nonprofit sector, and its capacity to meet the needs that will emerge as reforms are implemented. Our results indicate, first, that welfare reform will shift anti-poverty assistance away from subsistence needs (previously met by cash assistance paid directly to families), towards service providers with a far greater diversity of clients and program goals. Second, loss of public funding from Title XX Social Service block grants and other government sources can be expected to weaken the nonprofit sector since it relies heavily on government grants, contracts, and fee-for-service income. Third, private sources of philanthropic revenues are inadequate and not targeted to the most needy sectors. Fourth, service delivery will become more entrepreneurial and retarget services to clients with greater ability to pay; low-income clients stand to lose out. Lastly, the nonprofit sector is geographically uneven, and thus some areas of Los Angeles will be worse hit than others. Thus the nonprofit sector is poorly positioned to absorb the short fall in social spending created by welfare reform.

The Nonprofit Sector in California and Los Angeles County

The nonprofit sector comprises two distinct components -- nonprofit agencies, or direct service providers, and grantmaking institutions, or foundations. Nonprofit agencies provide services directly to consumers,

[1] Wolch, Jennifer and Michael Dear. 1993. *Malign Neglect: Homelessness in an American City.* San Francisco: Jossey-Bass.

including members, other individuals, communities and the public more generally. These services range from health care and social services to arts and recreation services. Direct service providers may be supported by a variety of resources, with government funding and payments, foundation grants and individual donations being the most important. Grantmaking institutions, in contrast, raise funds from sources including family wealth, corporate gifts and bequests, and then make grants to service-providing nonprofit agencies.

California currently has approximately 120,000 nonprofit organizations,[2] only 18,000 or 15 percent of which are located in the Los Angeles area.[3] With respect to revenues, the nonprofit sector is dominated by health care organizations, which statewide received $25 billion in revenues in 1995 or 49 percent of the sector's total revenues (Table 1).[4] In comparison, the social and human service sector which targets services to the poor, is relatively small, receiving less than 12 percent of all revenues received by the nonprofit sector more generally.

Table 5A-1: California Nonprofit Sector Organizations and Revenues

	Number of organizations	*Percent of all nonprofit revenues*
Health Care	1,614	48.7
Education	3,581	15.4
Social/Human Service	8,778	11.5
Religion	24,000	6.7
Grantmaking	2,866	0.7
Arts, Entertainment and Recreation	767	1.4
Business Support	664	4.0

Source: Nonprofit Policy Council (1995) pp. 11-13

Government funding is extremely important to the nonprofit sector in California (Table 5A.2). This is particularly true of nonprofit health providers. Hospitals, which receive over three quarters of all revenues in the nonprofit health sector, rely heavily on Medi-Cal and Medicare payments, which together total over 40 percent of hospital revenues. Government is also an important source of revenues for social service agencies, which receive 44 percent of revenues from government contributions (12.9 percent) and government payments for services (31 percent). Foundations and individual contributions remain

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2 Institute for Nonprofit Organization Management. 1995. *California Nonprofit Organizations 1995.* San Francisco: University of San Francisco.

3 United Way. 1997. *State of the County Databook. Los Angeles 1996-97.* Los Angeles: United Way of Greater Los Angeles, p. 474.

4 Nonprofit Policy Council. 1995. *Facts & Fallacies of the Nonprofit Sector.* California Association of Nonprofits.

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important sources of funding for the nonprofit sector, as do, increasingly, fees-for-service, with these sources of revenues making up the remaining 55-60 percent of revenues in social services and health care in California.

Table 5A-2: California Nonprofit Social Service Organizations: Revenue Sources

Source	***Amount ($)***	***Percent***
Governmental		
Contributions, Gifts, Grants	443,451	12.9
Payments for Services	1,061,940	31
Total	*1,505,391*	*43.9*
Private		
Contributions, Gifts, Grants	1,058,090	30.9
Payments for Services	550,296	16.1
Total	*1,608,386*	47
Other	313,355	9.1
Grand Total	*3,427,132*	*100*

Source: Institute of Nonprofit Organization Management, 1995: 20

Few comprehensive profiles of the nonprofit sector exist for Los Angeles County alone. An analysis done in the 1980s, however, provides a general picture of the structure of the recipient-organization portion of the sector.[5] Utilizing data from the state's Registry of Charitable Trusts, which excludes the hospital sector and religious organization, Geiger and Wolch reported that the county had over 8,500 voluntary organizations, 45 percent of which were considered service-providing agencies. The most common organizational purpose was social welfare and community service. Among all organizations in this sample (both donors and recipient organizations), 12 percent of revenues came from government (at all levels), below the share of voluntary organizations nationwide. However, in specific sectors such as social welfare and community services, reliance on public funding was far higher. And if government's share of funding from gifts, grants or contributions is considered (apart from funds that can be raised through self-generated income from dues, fees, sales, investments, or other business activities), governmental support looms much larger -- constituting more than 45 percent of collective revenues for social welfare and community service groups. Among service-providing organizations in the social welfare field, dependence on government was even higher: 65 percent of revenues were derived from fees and grants from government.[6]

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5 Geiger, R.K., and Jennifer Wolch." 1986. "A Shadow State? Voluntarism in Metropolitan Los Angeles." *Environment & Planning D: Society & Space.* 4:351-366.

6 Wolch, Jennifer, and R.K. Geiger. 1983. "The Distribution of Urban Voluntary Resources: An Exploratory Analysis." *Environment and Planning. A* 15: 1067-1082.

By the mid-1980s, California foundations were second only to New York with respect to share of all U.S. foundation assets, grants, and numbers of institutions. Moreover, gifts to foundations located in the state were on a par with New York's much larger foundation sector. Many of the state's largest foundations are located in the Los Angeles area, including Getty, ARCO, Keck, Weingart, and Ahmanson. Statewide, foundations made only $1 billion in grants, a major share of which often goes out-of-state. But foundations located in other states also contribute to Los Angeles area nonprofit service providers. The Los Angeles region has historically been a net-gainer, tending to receive more funds from other counties and states than its own foundations donate to non-local organizations.[7]

In California, over one third of foundation grants go to educational institutions, with human service agencies receiving only 12.3 percent and hospitals and other medical care facilities just 5 percent. As Table 5A.3 shows, these figures mirror nationwide characteristics of foundation giving.

Table 5A-3: Top Three Recipients of Foundation Grants in California & the United States

	California		*United States*	
Recipient Type	Amount	Percent	Amount	Percent
1.Educational Institutions	210.2 million	36.6	2.0 billion	36.2
2.Human Service Agencies	70.9 million	12.3	625.5 million	11.1
3. Hospitals/Medical Care Facilities	29.8 million	5.2	372.0 million	6.6

Source: INOM, 1995: 81; data pertain to 1993.

This pattern of targeting to educational institutions was even more pronounced in Los Angeles, where an analysis of foundation grant giving in the mid-1980s indicated that education received 43 percent of locally-generated foundation dollars, followed by service providers in the area of science (18 percent), the humanities (12 percent), and welfare (10 percent). Less than half of these dollars went to local Los Angeles-based recipient groups overall; and only 60 percent of welfare-targeted foundation giving went to welfare oriented organizations located in the region.[8]

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7 Wolch, Jennifer. 1989. "Giving and Receiving: Foundations and Voluntary Organizations in Los Angeles." *Geograpy Research Forum.* 9:3-28. Wolch's study revealed that more than two-thirds of foundation monies going to local recipient organizations were from non-local sources.

8 Wolch, ibid.

TANF and Nonprofit Service Providers

Welfare reform will provide additional funding to some programs administered by the nonprofit sector. For example, states may divert TANF block grant monies to social service and child care programs (i.e. the Child Care and Development or the Social Services block grant programs), which fund a variety of nonprofit providers. Moreover, as caseloads decline due to work requirements and time limits and thus spending on cash grants diminishes, MOE restrictions require states to maintain their annual TANF spending at 80 percent of 1994 AFDC funding levels. Any savings in excess of this 80 percent ceiling accruing from caseload reduction must be channeled into alternate programs designed to assist TANF-eligible (or formerly eligible) families, through the provision of child care, job training and other human services. Once again, nonprofit organizations provide many of these human services, and so a significant share of MOE funds can be expected to be channeled to such agencies. For example, under our Medium Impact scenario, $234 million in MOE funds over years 2 to 6 would be available for provision of such programs.

Despite this potential injection of funds into the nonprofit sector, there are several reasons to be concerned about how nonprofit providers will fare in this new environment. First, although TANF block grant and MOE monies may be available for nonprofit contracts and grants, other block grant funds, such as Title XX Social Services, which currently support a wide variety of human service agencies, have been cut significantly (Title XX, for instance, was cut 15 percent in the latest federal budget). Second, the state can reduce TANF spending by up to 20 percent through caseload terminations, thus increasing levels of need, without being required to allocate additional state funds to MOE programs. Third, rules surrounding the use of such funds allow a far broader array of services types (and client groups) to compete for funds.

The result for the nonprofit sector will be dramatically increased levels of need and requests for assistance, and a more competitive government funding environment in which the direction of program development will be increasingly determined by the source of available funds rather than agency mission or the most salient client requirements. Child care, job training, and a variety of education-oriented programs may grow in number and/or size, for example, but services in other vital areas may be cut back if government contracts are not forthcoming.[9] Further, for-profit agencies are becoming increasingly active players in service delivery (especially in the child care area) and are apt to compete with non-profits for purchase-of-service contracts.[10]

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9 This goal diversion effect has already been seen in the Los Angeles region and other areas of the state, after federal funds targeted family preservation programs while community development and training programs were cut. Agencies responded by expanding their mission to include family services and child welfare. In fact, the number of agencies offering family services increased by more than 60 percent statewide between 1982 and 1992.

10 An example is Lockheed's apparent interest in handling the State of California's workfare program.

The Potential of Philanthropy

A common argument is that private philanthropy and charitable giving will assist those who are adversely impacted by welfare reform. As we have seen, the foundation sector directs its resources disproportionately to educational purposes, rather than social welfare or human services. Moreover, the scale of foundation-derived revenues among such service agencies indicates that foundation-based philanthropy would have to expand enormously to approach the volume of revenues derived from government sources.

Donations from households are, like foundation grants, also disproportionately targeted to one specific sector. In this case, it is religious groups which receive the majority of household donations. In Los Angeles County, of the $1.4 billion donated by households in 1995, almost 70 percent went to religious groups, while 31.6 percent went to health and human service organizations.[11]

Private giving would need to increase tremendously to compensate for reduced government funds. Estimates of the increase in private giving that would have to occur to make up for the expected loss of public funds range from 50 to 124 percent between 1996 and 2002.[12] It is unlikely that such an increase could occur, and if it did, that it would be targeted to social services for the poor. First, the recent history of giving indicates that although donations in general may be on the rise (Americans gave 16 percent more in 1994 than in 1993[13]), donations to social services are on the decline. This is particularly true of Southern California, where donations to United Way *declined* 36 percent between 1985 and 1994 while they *rose* by 7.7 percent in the rest of the state during the same period.[14]

Second, giving to social service agencies may be falling as donors act upon their conceptions of who is genuinely worthy and in need of support. That such conceptions of worthiness appear to often exclude the poor gives pause for concern, because the small share of charity giving targeted to the poor may fall still further as the ideology behind welfare reform shapes donor preferences. The consensus around "ending welfare as we know it" is predicated on the notion that most poor people do not deserve assistance. According to one social welfare analyst, "all of the talk of the undeserving poor appears to be bleeding over into private giving. If the poor are not worthy of paying taxes for, why give money personally?"[15]

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11 United Way, op.cit.

12 Abramson, Allan, and Lester Salamon estimate that private giving would have to increase 50 percent by the year 2002 (as quoted in the *New York Times*, 2/5/96); Bob Smucker of the Independent Sector calculated this figure at 124 percent (Nonprofit Policy Council, nd. 17).

13 Kaplan, A. (ed.). 1996. *Giving USA*. New York: American Association of Fundraising Council.

14 Institute for Nonprofit Organization Management, op cit., pp 85-86.

15 Raley, Gordon. 1996. "National Assembly of National Voluntary Health and Social Welfare Organizations." *New York Times Magazine*, 12/22/96.

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Entrepreneurialism, Vendorism, and Conservatism

The nonprofit sector has dealt with massive government funding cuts in the past, and these cuts have impacted service delivery in important ways. Rather than being able to rely on greater donor generosity, experience suggests that agencies will adopt private sector management styles and tactics, turning to client fees and charges for revenues (and also developing for-profit spin-off entities to cross-subsidize their charitable activities). For example, in the wake of Reagan-era social spending cuts, 70 percent of replacement income came from increased charges and fees.[16] Those unable to afford such fees and charges—typically those most in need—were progressively denied access to service supports. In Los Angeles during the 1980s, the nonprofit sector dealt with reductions in federal funds by becoming entrepreneurial and shifting more of the cost burden to clients.[17]

In addition, organizational goals are often displaced as they seek to become service vendors in order to survive. Such goal displacement resulting from vendorism can produce two types of effects. One is that agencies turn to different client groups for whom grants, contracts, and fees-for-service are available from government. A second is that advocacy efforts may fall by the wayside, as groups become transformed into service providers in order to survive as organizations. In this transition, smaller, newer groups (often in under-served areas) may lose out altogether. With limited ability to assess user charges, these groups may also suffer as private grantmakers and public contractors seek high-valence programs to support, and demand increasing professionalism, accountability, and short-term measurable gains.

Lastly, as nonprofit organizations struggling to meet rising needs compete more fiercely for scarce public funds, greater conservatism and quiescence is a predictable outcome. Organizations are unlikely to bite the hand that feeds them, particularly in a turbulent funding environment.

The Uneven Geography of Los Angeles' Non-profit Organizations

Patterns of generosity and the strength of the voluntary sector are notoriously uneven from place to place.[18] In California, nonprofit organizations are concentrated in the San Francisco Bay area, where there are *five times* as many non-profits as in the rest of the state.[19] While geographical concentration of nonprofits does not necessarily ensure that resources will be distributed locally, nor does it tell us about the relative capacities of each region's nonprofit sectors, the data suggest that the Los Angeles region's nonprofit sector may be less able than its northern counterparts to increase capacity after welfare reform.

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16 Salamon, Lester. 1992. "America's Nonprofit Sector: A Primer." New York: The Foundation Center.

17 Wolch, Jennifer. 1990. *The Shadow State: Government and Voluntary Sector in Transition.* New York: The Foundation Center.

18 Wolpert, Julian. 1993. *Patterns of Generosity in America: Who's Holding the Safety Net?* New York: Twentieth Century Fund.

19 Institute for Nonprofit Organization Management, op.cit.

For example, social and human service agencies are, like non-profits more generally, concentrated in the Bay Area: there are nearly twice as many nonprofit social service providers per capita in the Bay Area as there are in Southern California (779 versus 407 social service agencies per million population in the Bay Area and Southern California respectively).[20]

Although per capita measures are useful, the size and revenues of the agencies in question are of course important in gauging the extent to which Los Angeles may be considered to have a "weak" nonprofit sector compared with the Bay Area. Indeed, non-profit social service agencies in Southern California are larger in terms of both employees and revenues than their counterparts in the Bay Area, suggesting these agencies may be able to serve larger client populations and thus compensate for the relative lack of social service agencies in Southern California. But this compensation is only partial at best: the ratio of employees in Southern California versus the Bay Area is 9:8 and revenues approximately 5:4.

Not only is the nonprofit sector in Los Angeles relatively underdeveloped with respect to other metropolitan regions of the state, but communities within the county have dramatically divergent capacities to provide services to needy clients. The spatial distribution of nonprofit social welfare and community services in Los Angeles County is heavily concentrated in the older, more established middle-class inner ring suburbs of Los Angeles County, in relation to either the inner city, or outer suburban areas whose more affluent households are better able to purchase services from private sector providers (e.g., doctors, psychiatrists, child care providers, etc.).[21] Middle-class communities also have a broader variety of services available. Poor inner city neighborhoods are left to rely disproportionately on public provision, and are saturated with a narrow range of crisis facilities (e.g., emergency food, shelter, etc.), while lacking the diversity of services important to longer-term well-being.[22]

The geographical distribution of nonprofit resources both at the inter-regional scale and the intra-urban scale suggests uneven development of the nonprofit sector and thus the potential for uneven client access to nonprofit resources. If existing geographical patterns persist, those middle-income inner-ring suburbs of Los Angeles that are relatively nonprofit service-rich, will fare better in the post-welfare reform landscape. Any further shift of responsibility to the nonprofit sector, however, will be felt most strongly in those areas that are nonprofit service-poor. Central area communities and residents of Los Angeles

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20 Institute for Nonprofit Organization Management, ibid. p12

21 Wolch and Geiger, op.cit.

22 Gyu Lee, Jong, Jennifer Wolch, and Jessica Walsh. "Homeless Health and Service Needs: An Urban Political Economy of Service Distribution," in R. Kearns and W. Gesler (eds.). *Putting Health into Place: Landscape, Identity and Well-being.* Syracuse: Syracuse University Press (forthcoming); Jessica Walsh and Jennifer Wolch. "Postmodern Urbanism and the Provision of Services to Families and Children," in J. McCrosky and S.Einbinder (eds.). *Communities and Universities: Remaking Professional and Interprofessional Education for the Next Century.* New York: Greenwood Press (forthcoming).

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especially will be hard hit.

Summary

The nonprofit health and human service sector relies to a significant extent on government funds. While foundations and household donations remain important for organizations in the sector, foundation grants favor education, while household donations favor religious groups. Southern California also has a thinner fabric of nonprofit organizations than other major California metropolitan regions, and low-income inner city Los Angeles County residents have the poorest geographical access to a range of nonprofit human services compared to residents in other parts of the county.

Welfare reform and devolution of responsibility for social service provision to the local level thus unfolds in a context of nonprofit reliance on government funding, inadequacy and bias in the giving of foundations and households away from social services, and of spatial inequity in nonprofit service provision. The implementation of TANF time-limits will inject some funds into the nonprofit sector because some savings from caseload reductions are mandated to go to local child care and training programs. However, the very existence of these funds will be dependent on the creation of more need for social services in the county; individuals and families must be cut from TANF for these funds to become available for other programs. TANF time-limits, as well as reductions in SSI, Food Stamps, and Medi-cal caseloads will undoubtedly create greater need for social services in the county. At the same time, funding streams from other block grant programs are being cut, and the range of nonprofit programs eligible for funds under TANF will be dramatically shifted under new funding regimes which both target TANF savings to particular programs and restrict funding to the nonprofit sector more generally. Non-profits may respond, as they have in the past to public revenue reductions, by increasingly charging fees for services, shifting goals and targeted client groups, and refraining from challenging the status quo. But it is clear that the voluntary sector does not have the capacity to re-knit the social safety net.

B. The County of Los Angeles

Counties in California are mandated by state law to protect the health and welfare of their residents. In response, each county provides public health care services and a cash benefit program for qualified residents who are ineligible for state or federal assistance (General Relief in Los Angeles County). Legally, then, no matter how other layers of government alter benefit rates and/or eligibility rules for their safety net programs, Los Angeles County must provide welfare programs of last resort to residents.

Federal welfare reform and its attendant devolution of both funding and responsibility for welfare to states and localities, may more heavily impact the County than any other unit of local government. Residents facing public assistance benefit loss or reduction will have little choice but to turn to programs such as GR for support, and to seek health care services at County hospitals and clinics.

Our scenarios suggest that Los Angeles County will face mounting welfare-related cost burdens for several reasons:

- large numbers of legal immigrants losing a variety of benefits;
- a lagging economy unable to absorb the many TANF recipients expected to make a transition from welfare to work -- a situation exacerbated by a severe mismatch between the location of affordable housing and jobs;
- loss of Medi-Cal reimbursement funding associated with provisions affecting Medi-Cal eligibility for future legal immigrants; and
- fiscal weakness, linked to the overall economy, legal restrictions on spending and revenue generation, and a political climate unfavorable to tax increases (particularly for welfare purposes).

Impacts on the County Budget

These factors together could translate into serious budget woes for the County. Depending on scenario, our estimates indicate that County GR costs may grow between $9.3 (Low Impact scenario) to $207 million (High Impact scenario), from current expenditures of approximately $235 million per year. Such increases constitute an increase of between 4 to 88 percent in the current County allocation to the GR program. Only if the County moved to severely restrict access to General Relief and cut benefits, thus saving between $108.7 and $179.2 million per year under our Mid and High Impact scenarios, would these additional General Relief costs be attenuated. We also estimate up to $27.6 million in additional costs due to loss of Medi-Cal funding for pre-natal care for undocumented women (Low Impact scenario), from $19 to $345 million (not including Disproportionate Share Funds) in lost potential Medi-Cal reimbursements for future legal immigrants and other legal immigrants at state option, and from $3 to $15.5 million in extra locally-borne Foster Care costs. Together, expenditure increases in these three program areas could, depending on scenario, total from $59 to over $375 million/year.

Regardless of scenario, increases will clearly mount as more welfare recipients reach their five year life time eligibility limit. Although terminations linked to TANF work requirements and life time eligibility rules will cause the caseload to decline, potentially reducing the need for eligibility workers, such workers now labor under caseloads far in excess of their job specifications. This overload would have to shrink prior to

the institution of layoffs. Moreover, other aspects of welfare reform may demand additional personnel (e.g., job training), and so internal redeployment is likely. Thus the extent to which caseload reductions will replenish public assistance budget resources through DPSS labor force redundancies is limited.

In addition, job losses estimated by our economic analysis could add substantially to the number of residents seeking cash and in-kind relief. So too could wage rate reductions stimulated by increases in the low-wage employment pool resulting from the entrance of welfare recipients into the low-wage labor force. At the same time, the loss of jobs, personal income, and property income suggested by our economic analysis translate into a reduction of tax revenues accruing to the County.

Lastly, the County will face the dilemma of how to cope with the large numbers of terminated welfare recipients who may be ineligible for GR. Under current rules, many former TANF recipients may be barred from GR due to the program's asset limits, which are far lower than those applicable under either TANF or SSI. There is apt to be pressure on the GR program to relax such restrictions, thus making GR benefits more accessible to destitute residents. But to the extent that the County does expand access, so too will total GR caseloads and attendant costs increase.

Potential Responses

How is Los Angeles County apt to respond to this upsurge in need for assistance? One option for the County is to try to increase funding in order to meet this onslaught of needs for assistance. Los Angeles County, like other counties in the state, receives almost 60 percent of its total revenue from state and federal programs.[23] Thus less than half of the County's fiscal resources are under its direct control, while intergovernmental fund flows have declined sharply, and County revenues have been increasingly shifted to the state. Moreover, given the economic, legal and political constraints on raising additional local tax revenues, most if not all of such funding would have to come from a reallocation of budget priorities away from other areas of the budget (e.g., parks and recreation), to provide additional funding. Yet even a doubling of the GR budget -- virtually unthinkable under any conceivable circumstances -- would be insufficient to handle those projected to be migrating from other assistance programs under High or Medium Impact scenario assumptions. Much smaller-scale reallocations are almost as unlikely, given political realities in the County, where public assistance budgets -- which constitute about 40 percent of County expenditures[24] -- have been steadily trimmed year after year.

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23 Chapman, Jeffrey. 1996. "The Public Sector of Southern California: The $48 Billion Gorilla," University of Southern California, Southern California Studies Center, MetroTrends Working Paper.

24 Chapman, Jeffrey, ibid.

In any event, this jurisdiction already faces a fiscal crisis of colossal proportions. County health services remain on the edge of collapse; despite receiving a bail out by the Clinton Administration, the projected DHS deficit stands at $114 million. Jails are seriously overcrowded, and funding for the proposed Twin Towers facility remains in doubt. The County faces the prospect of an appellate court ruling which could require it to repay GR recipients a total of $150 million in benefit cuts. Together with other budget demands, the total budget deficit projected in March of 1997 for FY97-98 was $460 million.[25]

In this context, the most likely County response will be to either reduce their obligations to the poor, or maintain their fiscal effort at existing levels. This could be accomplished via three different strategies:

- promoting a state take-over of GR;
- reducing costs of welfare-related functions; and/or
- restricting access to GR.

State Takeover

The first approach, already implemented, has taken the form of a major lobbying effort to persuade the state to take over GR, as a means of limiting county fiscal liabilities under welfare reform. Such a state take-over would, presumably, hold the County's level of financial responsibility to a specified level; the state would assume costs over and above this level, should GR caseload increases rise beyond what the County contribution can fund.

Reducing Welfare Costs

Should a state take-over fail, or if its provisions leave counties with welfare-related responsibilities exceeding their current budget allocations, the County may seek to reduce per-case public assistance costs. Such a strategy could be pursued by substituting workfare workers for County employees as already discussed (in Section 4A: The Economy); eliminating or deskilling certain groups of welfare department workers; and/or further privatization of welfare-related activities. Ongoing implementation of automated welfare eligibility processing and associated drives for greater efficiency could lead to elimination and/or deskilling of welfare eligibility workers. Specifically, the Los Angeles Eligibility, Automated Determination, Evaluation and Reporting System (LEADER), designed to automate a large number of eligibility worker functions, will start its pilot phase in 1998 and is expected to be fully implemented county-wide by 1999. Although billed as an efficiency measure needed to replace outmoded computerized record-keeping systems, LEADER could lead to the deskilling of eligibility workers, with resulting job classification and wage implications.

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25 These budget figures are derived from Josh Meyer and Tina Daunt, "County Warned of Budget Deficit," Los Angeles Times B1,10, February 28 ,1997.

With respect to privatization, a variety of welfare-related functions are already carried out by private firms and nonprofit agencies contracted by the County. For example, a significant share of child care services are contracted-out to nonprofit organizations, and many GAIN and other employment-related services are also contracted-out. In addition, certain data processing activities are handled by for-profit entities; indeed, large firms such as Lockheed and Maximus provide such services to many public jurisdictions across the country, and are actively seeking to expand their business in the wake of welfare reform.[26] A strategy of expanded privatization could be seen as an avenue to meet mandated public assistance caseload and service obligations, while reducing costs per case through the use of a largely non-unionized contracted-out workforce. This could hurt County employees affected by competition from workfare workers or automation, since privatization could close off opportunities for County worker retraining and reassignment. It is even conceivable that the County place GR or AFDC workfare participants in nonprofits under contract to the County. Such nonprofits would be rendered more competitive in their bids for County purchase-of-service contracts, and help hold County costs to a minimum (especially in the case of AFDC, which is not locally funded).[27]

Limiting Welfare Obligations

Lastly, the County may resort to limiting any increase in its welfare obligations by restricting access to assistance. One tactic for doing so could be limiting GR benefits to employable recipients to three months per year. This would immediately save the County $109 million per year on the current GR employable caseload, allowing others to receive benefits. Migrants to GR are apt to be a mix of unemployable applicants (i.e. terminated SSI recipients) and employable people (i.e. terminated TANF recipients). It is unclear that the County would take the politically unpopular position of limiting mothers to three months of aid per year, due to the implications this would hold for child welfare; however, some savings could certainly be gained by selective application of the three month rule.

Second, the County could cut, or even eliminate GR benefits should the state lift the Section 17000 mandate for GR. It is unlikely that the program would be entirely dismantled; however pressures to reduce benefits have been constant in the GR program, and many reductions have been implemented in the past. A reduction of benefits to $100 a month, for example would save $180 million a year (assuming the benefit reduction is accompanied by a three month time limit for employable clients). In this event, an entirely new scheme with benefits stratified by client type could be developed.

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26 Bernstein, Nina. 1996. "Giant Companies Entering Race to Run State Welfare Programs," New York Times 9/15/96.

27 This practice is already occurring to some extent; Tiffanie Heber, SEIU Local 660, personal communication, March 11, 1997.

Third, the County could use bureaucratic program rules and requirements to terminate recipients and/or bar certain groups from benefit receipt. Such bureaucratic disentitlement has long been used by Los Angeles County to limit GR costs; it is one manifestation of a deeply embedded institutional culture which is widely regarded as hostile to needy clients.[28] During the 1970s and 1980s, for example, DPSS initiated a range of requirements that were used strategically and (and in some cases explicitly) to limit GR expenses, including the 60-day penalty, punitive workfare, monthly income and rent reporting requirements, confusing application procedures, and "quality control" measures. Such regulations can be used at caseworker or district office management discretion to deny eligibility.

A predictable result of such access reduction strategies is a process of client "filtering." As clients groups such as disabled legal immigrants losing SSI or mothers with small children terminated from TANF, turn to GR for support, GR's traditional clients -- single men and women -- are apt to be cut off from aid. The poverty of the disabled and mothers with children has long been deemed the result of circumstances beyond their control; hence they are considered more "worthy" or "deserving" of assistance relative to "undeserving" single able-bodied people expected to be in the wage labor force and typically blamed for their own financial predicament. Through this filtering dynamic, single individuals unable to meet federal disability requirements or to find paid employment are likely to become even more destitute, and swell the ranks of the county's homeless population.

Broader Implications

It is important to recognize that, barring a state take-over of General Relief under circumstances highly favorable to Los Angeles County, almost any conceivable County response to welfare reform will result in a lowered quality of life for all Los Angeles County residents. Budget reallocations would limit the quality and/or quantity of a wide array of essential County services already suffering from long-term disinvestment. Further privatization would entail displacing modestly paid public sector workers with health care benefits, with lower-wage employees apt to enjoy fewer benefits or job protections. If the County deploys bureaucratic or other tactics to limit its welfare burdens, then poverty, neighborhood decay, and homelessness may increase in many local communities.

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[28] For an analysis of bureaucratic disentitlement, see Gary Blasi, "Litigation Strategies for Addressing Bureaucratic Disentitlement," New York University Review of Law and Social Change. 1987-88 16: 591-603; for additional detail on Los Angeles County's use of this technique, see Woobae Lee, Restructuring the Local Welfare State: A Case Study of Los Angeles County. Unpublished doctoral dissertation. Los Angeles: School of Urban & Regional Planning, University of Southern California, 1993.

POPULATION: TANF Families With Children Affected By Time Limits - Year 1

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
1% of TANF cases are terminated for regulatory noncompliance	2,991 cases/8,440 individuals losing TANF benefits worth $18 M/year	- $18 M/year in lost TANF benefits	None
15% of these children go to Foster Care	743 children	+ $ 7.3 M/year in additional Foster Care payments	- $3.1 M/year in additional Foster Care costs
50% of these cases migrate to General Relief	1,495 cases or families receive GR benefits worth + $7.5 M/year	None	- $7.5 M/year in additional GR costs
All those families terminated from TANF get additional Food Stamps ($58/month or $696/year for family of 3)	2,991 families receive + $2 M/year in Food Stamps	+ $2 M/year	None
TOTAL	**- $8.5 Million/year**	**- $ 8.7 Million/year**	**- $10.6 Million/year**

POPULATION: TANF Families With Children Affected By Time Limits: Year 1 - Continued

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
5% of TANF cases are terminated for regulatory noncompliance	14,957 cases/42,201 individuals losing TANF benefits worth $92.3 M/year	- $92.3 M/year in lost TANF benefits	None
15% of these children go to Foster Care	3,713 children	+ $ 36.3 M/year in additional Foster Care payments	- $15.5 M/year in additional Foster Care costs
50% of these adults migrate to General Relief	7,478 cases or families receive GR benefits worth + $37.6 M/year	None	- $37.6 M/year in additional GR costs
All those families terminated from TANF get additional Food Stamps ($58/month or $696/year for family of 3)	14,957 families receive + $10.4 M/year in Food Stamps	+ $10.4 M/year	None
TOTAL	**- $ 44.3 M/year**	**- $ 45.6 M/year**	**- $ 53.1 M/year**

POPULATION: TANF Families With Children Affected By Time Limits: Year 1 - Continued

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
5% of TANF cases are terminated for regulatory noncompliance	14,957 cases/42,201 individuals losing TANF benefits worth $92.3 M/year	- $92.3 M/year in lost TANF benefits	None
15% of these children go to Foster Care	3,713 children	+ $ 36.3 M/year in additional Foster Care payments	- $15.5 M/year in additional Foster Care costs
50% of these adults migrate to General Relief	7,478 cases or families receive GR benefits worth + $37.6 M/year	None	- $37.6 M/year in additional GR costs
All those families terminated from TANF get additional Food Stamps ($58/month or $696/year for family of 3)	14,957 families receive + $10.4 M/year in Food Stamps	+ $10.4 M/year	None
TOTAL	**- $ 44.3 M/year**	**- $ 45.6 M/year**	**- $ 53.1 M/year**

POPULATION: TANF Families With Children Affected By Time Limits: Years 2-6

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Families are terminated in Year 6 due to 5-year lifetime	74,034 cases/208,896 individuals lose TANF benefits worth $458 M/year	- $458 M/year in lost TANF benefits	None
50% of these cases terminated migrate to GR	37,017 cases or families receive GR benefits worth + $ 222 M/year	None	- $222 M/year in additional GR costs
15% of these children go to Foster Care	18,379 children	+ $ 179.2 M/year in additional Foster Care payments	- $ 76.8 M/year in additional Foster Care costs
All those families terminated from TANF get additional Food Stamps ($58/month or $696/year for a family of 3)	74,034 families receive + $52 M/year in Food Stamps	+ $52 M/year	None
TOTAL	**- $184 Million/year**	**- $226.8 Million/year**	**- $298.8 Million/year**

POPULATION: TANF Families With Children Affected By Time Limits: Years 2-6 - Continued

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Families are terminated in Year 6 due to 5-year lifetime	5,633 cases/15,905 individuals terminated in year 6		
A large number of adults cycle on and off TANF resulting in a large number of terminations	328,585 cases (net terminations) over years 2-6	Total Loss in TANF benefits of - $2 Billion	None
50% of these cases terminated migrate to GR	191,546 cases or families receive GR benefits over years 2-6 worth + $987 Million	None	- $987 Million in additional GR costs
15% of these children go to Foster Care	81,545 children	+ $770 Million in additional Foster Care payments	- $330 Million in additional Foster Care costs
All those families terminated from TANF get additional Food Stamps ($58/month or $696/year for a family of 3)	334,218 families receive + $229 Million in Food Stamps	+ $229 Million	None
Maintenance Of Effort dollars come back into the economy	None	+ $234 Million	None
TOTAL	**- $784 Million**	**- $767 Million**	**- $1.3 Billion**

POPULATION: TANF Families With Children Affected By Time Limits: Years 2-6 - Continued

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Families are terminated in Year 6 due to 5-year lifetime	3,903 cases/11,017 individuals terminated in year 6		
A large number of adults cycle on and off TANF resulting in a large number of terminations	485,235 cases (net terminations) over years 2-6	Total Loss in TANF benefits of - $2.7 Billion	None
50% of these cases terminated migrate to GR	233,187 cases or families receive GR benefits over years 2-6 worth + $ 1.2 Billion	None	- $1.2 Billion in additional GR costs
15% of these children go to Foster Care	120,355 children	+ $1.18 Billion in additional Foster Care payments	- $510 Million in additional Foster Care costs
All those families terminated from TANF get additional Food Stamps ($58/month or $696/year for a family of 3)	489,138 families receive + $338 Million in Food Stamps	+ $338 Million	None
Maintenance Of Effort dollars come back into the economy	None	+ $336 Million	None
TOTAL	**- $1.16 Billion**	**- $846 Million**	**- $1.7 Billion**

POPULATION: Legal Immigrants Losing TANF

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Legal immigrants on AFDC retain their benefits because state doesn't exercise the option to bar them entirely	None	None	None
TOTAL	**None**	**None**	**None**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
State exercises its option to bar legal immigrants from AFDC - 60%[1] naturalize and retain benefits 124,000 x 60% = 74,400	None	None	None
The remainder (40%) don't naturalize and lose AFDC 49,600 x 67%[2] = 32,232 lose AFDC-FG benefits 49,600 - 32,232 = 16,368 lose AFDC-U			
32,232 x $198.34/mo[3] = $ 76.7 M/year (in lost AFDC-FG)	- $76.7 M/year	- $76.7 M/year	None
16,368 x $168.21/mo[4] = $ 33 M/year (in lost AFDC-U)	- $ 33 M/year	- $ 33 M/year	None
50%[5] of those who lose AFDC, migrate to GR 49,600 x 50% = 24,800	+ $ 42.8 M/year[6]	None	- $ 42.8 M/year
TOTAL	**- $ 66.9 M/year**	**- $ 109.7 M/year**	**- $ 42.8 M/year**

1 60% is a likely high-range estimate of the number of legal immigrants who will naturalize
2 67% is the likely proportion of legal immigrants on AFDC in AFDC-FG (as opposed to AFDC-U)
3 $198.34 is the average monthly benefit for an individual receiving AFDC-FG
4 $168.21 is the average monthly benefit for an individual receiving AFDC-U
5 50% is a likely estimate of the number of former AFDC recipients that would migrate to GR
6 Prorated, based on a total increase in GR costs of $107 M/year if 50% of all legal immigrants receiving AFDC in LA County (124,000) migrate to GR
7 30% is a likely low-range estimate of the number of legal immigrants who will naturalize

POPULATION: Legal Immigrants Losing TANF

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
State does exercise its option to bar legal immigrants from AFDC - only 30% naturalize and retain benefits 124,000 x 30%[7] = 37,200	None	None	None
The remainder (70%) don't naturalize and lose AFDC 86,800 x 67%[2] = 58,156 lose AFDC-FG benefits 86,800 - 58,156 = 28,644 lose AFDC-U			
58,156 x $198.34/mo[3] = $ 138.4 M/year (in lost AFDC-FG)	- $ 138.4 M/year	- $ 138.4 M/year	None
28,644 x $168.21/mo[4] = $ 57.8 M/year (in lost AFDC-U)	- $ 57.8 M/year	- $ 57.8 M/year	None
50%[5] of those who lose AFDC, migrate to GR 86,800 x 50% = 43,400	+ $ 74.9 M/year[6]	None	- $ 74.9 M/year
TOTAL	**- $ 121.3 M/year**	**- $ 196.2 M/year**	**- $ 74.9 M/year**

1 60% is a likely high-range estimate of the number of legal immigrants who will naturalize
2 67% is the likely proportion of legal immigrants on AFDC in AFDC-FG (as opposed to AFDC-U)
3 $198.34 is the average monthly benefit for an individual receiving AFDC-FG
4 $168.21 is the average monthly benefit for an individual receiving AFDC-U
5 50% is a likely estimate of the number of former AFDC recipients that would migrate to GR
6 Prorated, based on a total increase in GR costs of $107 M/year if 50% of all legal immigrants receiving AFDC in LA County (124,000) migrate to GR
7 30% is a likely low-range estimate of the number of legal immigrants who will naturalize

POPULATION: Disabled Children Losing SSI

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Children who lose SSI eligibility will be covered by a state safety net at the same benefit level	None	None	None
TOTAL	**None**	**None**	**None**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Only 35%[1] of children reviewed lose SSI/SSP			
6,000[2] x 65% = 3,900 retain benefits	None	None	None
2,100 lose benefits x $ 497.19/mth[3]	- $ 12.5 M/year	- $ 12.5 M/year	None
Some children losing SSI/SSP will migrate to AFDC			
2,100 x 75%[4] = 1,575 x $248/mo[5] = $4.7 M/year	+ $ 4.7 M/year	+ $4.7 M/year	None
Children who lose SSI apply for/receive Food Stamps	+ $ 1.8 M/year	+ $ 1.8 M/year	None
2,100 x $72.23[6] = $152,000/mth = $1.8 M/year			
TOTAL	**- $ 6 M/year**	**- $ 6 M/year**	**None**

1 35% is a likely lower-range de-qualification rate
2 6,000 = estimated number of children in LA County whose SSI eligibility will be reviewed
3 $ 497.19 is the average SSI/SSP monthly benefit for disabled children in California (SSA, 6/96)
4 The California's Governor's Budget assumes that 75% of children losing SSI/SSP will migrate to AFDC
5 $248 is the average monthly AFDC FG/U benefit for a child as of August 1996
6 $72.23 is the average monthly Food Stamp benefit per recipient

POPULATION: Disabled Children Losing SSI

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
67%[7] of children lose SSI/SSP benefits			
6,000 x 33% = 1,980 retain benefits	None	None	None
4,020 lose benefits x $497.19/mth[3]	- $ 24 M/year	- $ 24 M/year	None
Some children losing SSI/SSP will migrate to AFDC			
4,020 x 75%[4] = 3,015 x $248/mo[5] = + $ 9 M/year	+ $ 9 M/year	+ $ 9 M/year	None
Children who lose SSI apply for/receive Food Stamps	+ $ 3.5 M/year	+ $ 3.5 M/year	None
4.020 x $72.23[6] = $ 290,000/mth = $3.5 M/year			
TOTAL	**- $ 11.5 M/year**	**- $ 11.5 M/year**	**None**

1 35% is a likely lower-range de-qualification rate
2 6,000 = estimated number of children in LA County whose SSI eligibility will be reviewed
3 $ 497.19 is the average SSI/SSP monthly benefit for disabled children in California (SSA, 6/96)
4 The California's Governor's Budget assumes that 75% of children losing SSI/SSP will migrate to AFDC
5 $248 is the average monthly AFDC FG/U benefit for a child as of August 1996
6 $72.23 is the average monthly Food Stamp benefit per recipient
7 Social Security Administration projected that 67% of children being reviewed would lose their SSI eligibility

POPULATION: Substance Abusers Losing SSI

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
75%[1] of the individuals who lose eligibility because of substance abuse/drug addiction requalify under other disabilities (5,616 x 75%) 4,212) retain their SSI/SSP	None	None	None
The remaining 25% lose SSI/SSP benefits 5,616 x 25% = 1,404 x $ 488[2]/mo = $ 8.2 M/year	- $ 8.2 M/year	- $ 8.2 M/year	None
50%[3] of those losing SSI benefits migrate to GR 1,404 x 50% x $210.45/mo = $ 1.8 M/year	+ $ 1.8 M/year	None	- $ 1.8 M/year
Those losing SSI apply for and receive food stamps 1,404 x $72.23[5] = $101,400/mo = $1.2 M/year	+$ 1.2 M/year	+$ 1.2 M/year	None
TOTAL	**- $ 5.2 M/year**	**- $ 7 M/year**	**- $ 1.8 M/year**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
50%[4] of the individuals who lose eligibility because of substance abuse/drug addiction requalify under other disabilities 5,616 x 50% = 2,808	None	None	None
The remaining 50% lose SSI benefits 2,808 x $ 488[2]/mo = $ 16.4 M/year	- $ 16.4 M/year	- $ 16.4 M/year	None
50% of those losing SSI benefits migrate to GR 2,808 x 50%[3] x $210.45/mo = $3.5 M/year	+ $ 3.5 M/year	None	- $ 3.5 M/year
Those losing SSI apply for and receive food stamps 2,808 x $72.23[5]= $ 202,800/mo = $2.4 M/year	+$ 2.4 M/year	+$ 2.4 M/year	None
TOTAL	**- $ 10.5 M/year**	**- $ 14 M/year**	**- $ 3.5 M/year**

POPULATION: Substance Abusers Losing SSI

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
All individuals receiving SSI under substance abuse/drug addiction lose benefits 5,616 x $ 488[2]/mo = $ 32.9 M/year	- $ 32.9 M/year	- $ 32.9 M/year	None
50% of those who lose SSI benefits apply for and receive GR benefits as GR-unemployables 5,616 x 50%[3] x $210.45/mo = $ 7.1 M/year	+ $ 7.1 M/year	None	- $ 7.1 M/year
Those losing SSI apply for and receive food stamps 5,616 x $72.23[5] = $ 405,600/mo = $4.9 M/year	+$ 4.9 M/year	+$ 4.9 M/year	None
TOTAL	**- $ 20.9 M/year**	**- $ 28 M/year**	**- $ 7.1 M/year**

1 75% is a high-range estimate of how many substance abusers might requalify for SSI under other disabilities
2 $ 488 is the average monthly SSI/SSP benefit for a drug/substance abuse recipient (LA Times 12/29/96)
3 50% is a likely mid-range estimate of how many substance abusers might migrate from SSI to GR
4 50% is a mid-range estimate of how many substance abusers might requalify for SSI under other disabilities
5 $72.23 is the average monthly Food Stamp benefit per recipient

POPULATION: Legal Immigrants Losing SSI

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Legal immigrants on SSI will naturalize and retain their benefits or be covered by the state at the same benefit level through SSP	None	None	None
Legal immigrants receiving IHSS will not lose benefits	None	None	None
None of the legal immigrants receiving SSI and/or IHSS will lose their Medi-Cal coverage	None	None	None
No migration of legal immigrants from SSI to GR	None	None	None
TOTAL	**None**	**None**	**None**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Some legal immigrants on SSI will naturalize and retain benefits 99,000[1] x 60%[2] = 59,400	None	None	None
Remaining legal immigrants don't naturalize & lose SSI/SSP 39,600 x $ 461/mo[3] = $219 M/year	- $ 219 M/year	- $ 219 M/year	None
Some of the 39,600 who lose SSI/SSP migrate to GR 39,600 x 50%[4] = 19,800 x $210.45/mo = $ 50 M/year	+ $ 50 M/year	None	- $ 50 M/year
Some legal immigrants receiving IHSS will not lose benefits 22,000 x 60%[2] = 13,200	None	None	None
Remaining legal immigrants receiving IHSS lose benefits 22,000 x 40% = 8,800 lose benefits $99 Million[5] x 40% = $ 39.6 M/year	8,800 lose benefits	- $ 39.6 M/year	None
TOTAL	**- $ 169 M/year**	**- $ 258.6 M/year**	**- $ 50 M/year**

POPULATION: Legal Immigrants Losing SSI

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Some legal immigrants on SSI will naturalize and retain benefits 99,000 x 30%[6] = 29,700	None	None	None
Remaining legal immigrants don't naturalize & lose SSI/SSP 69,300 x $ 461/mo[3] = $ 383.4 M/year	- $ 383.4 M/year	- $ 383.4 M/year	None
Some of the 69,300 who lose SSI/SSP migrate to GR 69,300 x 50%[4] = 34,650 x $210.45/mo[7] = $ 87.5 M/year	+ $ 87.5 M/year	None	- $ 87.5 M/year
Some legal immigrants receiving IHSS will not lose benefits 22,000 x 30%[6] = 6,600	None	None	None
Remaining legal immigrants receiving IHSS lose benefits 22,000 x 70% = 15,400 lose benefits $99 Million[5] x 70% = $ 69.3 M/year	15,400 lose benefits	- $ 69.3 M/year	None
TOTAL	**- $ 295.9 M/year**	**- $ 452.7 M/year**	**- $ 87.5 M/year**

1 99,000 is the current number of legal immigrants on SSI/SSP impacted by welfare reform
2 60% is a likely high-range estimate of the number of legal immigrant who will naturalize
3 $461 is the average monthly SSI/SSP benefit
4 50% is a likely estimate of the rate of migration from SSI to GR
5 $99 Million is the calculated loss in wages to service providers if the entire IHSS caseload loses benefits, it is prorated for these scenarios
6 30% is a likely low-range estimate of the number of legal immigrant who will naturalize
7 $210.45 is the average monthly GR benefit in Los Angeles County

POPULATION: Legal Immigrants Losing or Being Denied Medi-Cal

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy
No legal immigrants on SSI lose Medi-Cal (99,000 indiv)	None	None
No legal immigrants on IHSS lose Medi-Cal (2,476 indiv)	None	None
No legal immigrants on AFDC lose Medi-Cal (124,256 indiv)	None	None
No legal immigrants on Medi-Cal Only lose Medi-Cal	None	None
Future legal immigrants will be denied Medi-Cal due to the 5 year ban/deeming provisions 16,001 x $2,400[2]/year = $38.4 M/year	16,000 individuals denied Medi-Cal	-$38.4 M/year loss in potential Medi-Cal reimbursement funds
TOTAL	**16,000 individuals denied Medi-Cal**	**-$38.4 M/year loss in potential Medi-Cal reimbursement funds**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy
Some legal immigrants losing SSI lose Medi-Cal 60%[3] naturalize - 59,400 retain Medi-Cal 40% - 39,600 lose Medi-Cal x $6,000[4]/year	None 39,600 lose Medi-Cal	None -$ 237.6 M/year loss in Medi-Cal reimbursement funds
Some legal immigrants on IHSS lose Medi-Cal 60%[3] naturalize - 1,486 retain Medi-Cal 40% - 990 lose Medi-Cal x $6,000[4]/year	None 990 lose Medi-Cal	None -$ 6 M/year loss in Medi-Cal reimbursement funds
Some legal immigrants on AFDC lose Medi-Cal 60%[3] naturalize - 74,554 retain Medi-Cal 40% - 49,702 lose Medi-Cal x $1,000[5]/year	None 49,702 lose Medi-Cal	None -$ 49.7 M/year loss in Medi-Cal reimbursement funds
Some legal immigrants on Medi-Cal Only lose Medi-Cal 60%[3] naturalize - 45,956 retain Medi-Cal 40% - 30,638 lose Medi-Cal x $2,400[2]/year year	None 30,638 lose Medi-Cal	None -$ 73.5 M/year loss in Medi-Cal reimbursement funds
Future legal immigrants will be denied Medi-Cal due to the 5 year ban/deeming provisions 16,000[1] x $2,400[2]/year = $38.4 M/year	16,000 individuals denied Medi-Cal	-$38.4 M/year loss in potential Medi-Cal reimbursement funds
TOTAL	**136,930 lose/are denied Medi-Cal**	**- $405.2 M/year loss in Medi-Cal reimbursement funds**

POPULATION: Legal Immigrants Losing or Being Denied Medi-Cal

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy
Some legal immigrants losing SSI lose Medi-Cal 30%[5] naturalize - 29,700 retain Medi-Cal 70% - 69,300 lose Medi-Cal x $6,000[2]/year	None 69,300 lose Medi-Cal	None -$ 415.8 M/year
Some legal immigrants on IHSS lose Medi-Cal 30%[5] naturalize - 743 retain Medi-Cal 70% - 1,733 lose Medi-Cal x $6,000[2]/year	None 1,733 lose Medi-Cal	None -$ 10.4 M/year
Some legal immigrants on AFDC lose Medi-Cal 30%[5] naturalize - 37,277 retain Medi-Cal 70% - 86,979 lose Medi-Cal x $1,000[3]/year	None 86,979 lose Medi-Cal	None -$ 86.9 M/year
Some legal immigrants on Medi-Cal Only lose Medi-Cal 30%[5] naturalize - 22,979 retain Medi-Cal 70% - 53,615 lose Medi-Cal x $2,400[4]/year	None 53,615 lose Medi-Cal	None -$ 128.7 M/year
Future legal immigrants will be denied Medi-Cal due to the 5 year ban/deeming provisions 16,000[1] x $2,400[2]/year = $38.4 M/year	16,000 individuals denied Medi-Cal	-$38.4 M/year loss in potential Medi-Cal reimbursement funds
TOTAL	**227,627 lose/are denied Medi-Cal**	**- $680.2 M/year loss in Medi-Cal reimbursement funds**

1 Department of Health Services estimate the number of future immigrants who will arrive and be denied eligibility for Medi-Cal to be 40,000 a year. This number is adjusted here to reflect the share of legal immigrants who migrate to LA County (40% of total immigrants arriving in California)
2 $2,400 is the average Medi-Cal cost for the overall Medi-Cal caseload (LAO, 11/21/96)
3 60% is a likely high-range estimate of the number of legal immigrants likely to naturalize
4 $6,000 is the average Medi-Cal cost for an elderly/disabled recipient (LAO, 11/21/96)
5 $1,000 is the average Medi-Cal cost for an AFDC family member recipient (LAO, 11/21/96)

POPULATION: Disabled Children Losing Medi-Cal

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
All disabled children who lose SSI retain their Medi-Cal coverage	None	None	None
TOTAL	**None**	**None**	**None**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Some children losing SSI/SSP lose Medi-Cal 2,100 x 15%[1] = 315 children x $2,400/yr[2]	315 children lose Medi-Cal	- $ .76 M /year	None
TOTAL		**- $ .76 M/year**	**None**

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Some children losing SSI/SSP lose Medi-Cal 4,020 x 15%[1] = 603 children x $2,400/yr[2]	603 lose Medi-Cal	- $ 1.4 M/year	None
TOTAL		**- $ 1.4 M/year**	**None**

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1 CBO estimates that 15% of children losing SSI will also lose their Medi-Cal coverage
2 $2,400 is the average annual Medi-Cal cost per recipient - overall caseload

POPULATION: Undocumented Women Losing Pre-natal Care

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
County continues to provide pre-natal care to 40,000 undocumented women despite loss of State only Medi-Cal funds	None	-$18 M/yr[1] in Medi-Cal reimbursements	-$9.2 M/yr in Medi-Cal reimbursements
Cost to the County for provision of pre-natal care 40,000 x $460[4] = $18.4 M/year	None	None	-$18.4 M/yr in pre-natal care costs
TOTAL	**None**	**- $18 M/year**	**-$27.6 M/yr**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
County continues to provide undocumented women pre-natal care but some women do not apply for services because they are unaware of eligibility or afraid of immigration issues 40,000 x 25%[2] = 10,000 women without services	10,000 women lose Medi-Cal coverage for pre-natal care	-$18 M/yr[1] in Medi-Cal reimbursements	-$9.2 M/yr in Medi-reimbursements
Cost to the County for provision of pre-natal care 30,000 x $460[4] = $13.8 M/year	None	None	-$13.8 M/yr in pre-natal care costs
The majority of women denied Medi-Cal covered pre-natal care receive no such services at all resulting in increased public/private health care costs in first year of infant's life 10,000 x 74%[3] = 7,400 7,400 x $460[4] x $3.38[5] = $11.5 M/year	7,400 women receive no pre-natal care	+$11.5 M/year in Medi-Cal reimbursements for increased public/private health care costs	+$5.8 M/yr in Medi-Cal reimbursements (1/2 of the $11.5 M/yr)
TOTAL	**7,400 women receive no pre-natal care**	**- $6.5 M/year**	**-$17.2 M/yr**

POPULATION: Undocumented Women Losing Pre-natal Care

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
County no longer provides undocumented women with pre-natal care	40,000 women lose Medi-Cal covered pre-natal care	-$18 M/yr[1] in Medi-Cal reimbursements	-$9.2 M/yr in Medi-Cal reimbursements
The majority of women denied Medi-Cal covered pre-natal care receive no such services at all resulting in increased public/private health care costs in first year of infant's life 40,000 x 74%[3] = 29,600 29,600 x $460[4] x $3.38[5] = $46 M/year	29,600 women receive no pre-natal care	+$46 M/year in Medi-Cal reimbursements for increased public/private health care costs	+$23 M/yr in Medi-Cal reimbursements (1/2 of the $11.5 M/yr)
TOTAL	**29,600 women lose pre-natal care**	**+$28 M/ year**	**+$13.8 M/yr**

1 $18 million is the estimated loss in Medi-Cal reimbursements to both public and private service providers if pre-natal care for undocumented mothers is no longer covered by Medi-Cal. Figure includes estimated $9.2 million a year loss to County DHS.

2 25% is a likely estimate of the number of undocumented women who might no longer obtain pre-natal care

3 74% is the estimated proportion of women who would not obtain pre-natal care if it was not free of charge

4 $460 is the estimated Medi-Cal reimbursement rate per pre-natal care patient in LA County

5 $3.38 is the estimated savings in health care costs per $1 in pre-natal care spent

POPULATION: Individuals Losing Food Stamps

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Across the board 3% cut in benefit level	Entire Caseload impacted (Over 1 million people)	- $20.3 Million in 1996-7[1] - $171.9 Million 1996-2002[1]	None
Changes in deductions and resource limits	Entire Caseload impacted (Over 1 million people)	- $11.2 Million in 1996-7[1] - $271.6 Million 1996-2002[1]	None
Changes in the household definition	Entire Caseload impacted (Over 1 million people)	- $2.5 Million in 1996-7[1] - $39.6 Million1996-2002[1]	None
Employable food stamp recipients don't lose benefits due to expanded Workfare program	None	None	None
TOTAL	**Entire Caseload**	**- $ 34 M/year 1996-7** **- $ 483.1 M 1996-2002**	**None**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Across the board 3% cut in benefit level	Entire Caseload impacted (Over 1 million people)	- $20.3 Million in 1996-7[1] - $171.9 Million 1996-2002[1]	None
Changes in deductions and resource limits	Entire Caseload impacted (Over 1 million people)	- $11.2 Million in 1996-7[1] - $271.6 Million 1996-2002[1]	None
Changes in the household definition	Entire Caseload impacted (Over 1 million people)	- $2.5 Million in 1996-7[1] - $39.6 Million 1996-2002[1]	None
Some of the employable food stamp recipients not currently in the Workfare program fail to participate 15,000[2] (currently not participating) x 25%[3] = 3,750 3,750 x $72.23 = $ 270,863/month	3,750 individuals lose food stamps	- $ 3.3 M/year	None
TOTAL	**Entire Caseload impacted by benefit cuts** **3,750 lose benefits entirely**	**- $ 34 M/year 1996-7** **- $ 483.1 M 1996-2002** **- $ 3.3 M/year every year**	**None**

POPULATION: Individuals Losing Food Stamps

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Across the board 3% cut in benefit level	Entire Caseload impacted (Over 1 million people)	- $20.3 Million in 1996-7[1] - $171.9 Million 1996-2002[1]	None
Changes in deductions and resource limits	Entire Caseload impacted (Over 1 million people)	- $11.2 Million in 1996-7[1] - $271.6 Million 1996-2002[1]	None
Changes in the household definition	Entire Caseload impacted (Over 1 million people)	- $2.5 Million in 1996-7[1] - $39.6 Million 1996-2002[1]	None
Employable food stamp recipients lose benefits because they fail to meet work requirements 15,000[2] x $72.23 = $ 1,083,450/month	15,000 individuals lose food stamps benefits entirely	- $ 13 M/year	None
TOTAL	**Entire Caseload impacted by benefit cuts 15,000 lose benefits entirely**	**- $ 34 M/year 1996-7 - $ 483.1 M 1996-2002 - $ 13 M/year every year**	**None**

1 Estimates of lost food stamp benefits for California (LAO, 5/20/96) have been adjusted for Los Angeles County which has 35% of California's caseload
2 15,000 able-bodied individuals are currently not meeting the work requirements according to L.A. County DPSS
3 25% is a likely rate of non-compliance with Workfare requirements

POPULATION: Legal Immigrants Losing Food Stamps

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Most legal immigrants receiving food stamps naturalize and retain benefits 150,000 x 80%[1] = 120,000 individuals retain benefits	None	None	None
The remainder (30,000) lose food stamp benefits	30,000 lose food stamps	- $24 M/year[2]	None
TOTAL	**None**	**- $24 M/year**	**None**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
High % of legal immigrants receiving food stamps will naturalize and retain benefits 150,000 x 60%[3] = 90,000 individuals retain benefits	None	None	None
The remainder (60,000) lose food stamp benefits	60,000 lose food stamps	- $48 M/year[2]	None
TOTAL	**60,000 lose food stamps**	**- $ 48 M/year**	**None**

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
Only 30%[4] of legal immigrants currently receiving food stamps naturalize and retain benefits 150,000 x 30% = 45,000 individuals retain benefits	None	None	None
The remainder (105,000) lose food stamp benefits	105,000 lose food stamps	- $ 84 M/ year[2]	None
TOTAL	**105,000 lose food stamps**	**- $ 84 M/year**	**None**

1 80% is a likely high-range estimate of the number of legal immigrants who will naturalize
2 Based on a total loss of $120 million a year if all 150,000 legal immigrants lose food stamp benefits - pro-rated
3 60% is a likely mid-range estimate of the number of legal immigrants who will naturalize
4 30% is a likely lower-range estimate of the number of legal immigrants who will naturalize

POPULATION: Individuals Losing General Relief

LOW IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
No 3 month time limit is implemented	None	None	None
TOTAL	**None**	**None**	**None**

MEDIUM IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
3 month limit for employable recipients of GR implemented 95,897 x 60%[1] = 57,538 57,538 x $210[2] x 9 months lost = $ 109 M/year	- $ 108.7 M/year	None	+ $ 108.7 M/year
TOTAL	**- $ 108.7 M/year**	**None**	**+ $ 108.7 M/year**

HIGH IMPACT:

Changes	Direct Impact on Individual	Direct Impact on Economy	Direct Impact on County
The county mandate to provide General Assistance is eliminated and benefit levels are slashed to $100/month For unemployables: Old rate- (38,359 x $210) = $8.1 M/month New rate - (38,359 x $100) = $3.8 M/month $4.3 M/month x 12 = $51.6 M/year	- $51.6 M/year in lost GR benefits	None	$51.6 M/year savings
In addition, the 3 month limit is implemented For employables: Old rate - (57,538 x $210) x 12 = $ 145 M/ year New rate = (57,538 x $100) = $5.8 M /month 57,538 x $5.8 M x 3 = $ 17.4 M/year (limited income) $145 M/year - $ 17.4 M/year = $ 127.6 M/year	- $127.6 M/year	None	$179.2 M/year savings
TOTAL	**- $179.2 M/year**	**None**	**+ $179.2 M/year**

1 60% is the approximate portion of the GR population that is employable
2 $210 is the average monthly GR benefit per recipient

APPENDIX B: INPUT-OUTPUT ANALYSIS[1]

Input-Output Analysis

Input-output analysis is a framework designed to examine the inter-industry flows of commodities throughout an economy. The input-output method divides an economy into a series of sectors or industries and measures the flows of goods and services between them. An industry may be thought of as a group of firms producing the same or a similar mix of outputs. The technique of input-output recognizes that to engage in production an industry consumes a variety of inputs including raw materials, semi-finished or intermediate goods, capital equipment and labor. These materials must be purchased within the economy or imported from outside. Input-output analysis provides a structured accounting system that records the purchase of inputs within each industry in an economy over a set period of time, usually a year. In addition, input-output analysis also records the sales by each industry to all other sectors within the economy, including sales to consumers and the government, as well as exports. The non inter-industry sales represent consumption by final demand.

The foundation of input-output analysis is the transactions table, a matrix which records the sales and purchases made between all sectors within the economy. The heart of the transactions table is the inter-industry portion of the matrix, that illustrates the flow of goods between the "producing" industries of the economy. Each row of the transactions table shows how the output of a particular industry is distributed amongst the other producing sectors, as well as elements of final demand. The sum of the elements along any row for a producing sector in the transactions table records the total output of the corresponding row industry for the stated time period. The columns of the transactions table record the inputs used by each industry in the production of their output. The sum of the values in a producing industry column equals the total value of inputs purchased by an industry in a given period of time.

As well as illustrating flows between producing industries, the transactions table also records the non-industrial inputs to production, chiefly value added or payment to labor, and also inputs such as government services. In addition, the transactions table keeps track of sales made outside the producing sector of the economy, to elements of final demand. Final demand is defined as purchases made for the intention of consumption rather than further processing of commodities, and includes personal consumption expenditure, purchases by government, purchases for investment and export.[2]

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1 Adapted from Economic Roundtable, *Fuel Cells for Transportation*. Los Angeles, CA. May, 1994, pp. 59-68.

2 For additional information on input-output methods, see: G.J.D. Hewings, *Input-Output Analysis*. Beverly Hills: Sage (1985); W. Leontief, *Input-Output Economics*. New York: Oxford University Press, 1966; R.E. Miller and R.D. Blair, *Input-Output Analysis*. Englewood Cliffs: Prentice Hall (1985); K. Polenske, *The U.S. Multiregional Input-Output Accounts and Model. Lexington, MA: Lexinton (1980).*

Assumptions of Input-Output Analysis

The techniques of input-output analysis rest upon a number of critical assumptions regarding the nature of technology in an economy, the capacity of the system to produce different quantities of output and the nature of industrial linkages. The first, and perhaps most important, assumption is that the production technology is one of fixed proportions (Leontief technology), or that there are no economies of scale in production. Thus, in an input-output world, an industry would have to double all inputs in order to double its output. The fixed proportions technology assures that the flow of goods between two sectors of the economy depends on the technology and the volume of output of the receiving sector. Production technology is also assumed to be constant over the period of investigation, usually one year. Techniques of production do change through time and these changes may be captured by altering the values of the fixed coefficients production functions (ratios of inputs to output) in the input-output tables of different years.

A second assumption of input-output analysis is that there are no capacity or supply-side constraints on the scale of production. Thus, if demand for an industry's output increases by any amount, the industry is assumed to be able to meet this demand without running-up against any bottlenecks in the supply process.

The assumptions outlined above imply a certain cost. We know that production functions are not of the fixed coefficients variety and that increasing returns are significant in today's economy. Furthermore, we know that the production process is not seamless and free of capacity constraints. These costs imply a certain degree of error in our specifications of the production process. However, with limited information on the variable nature of production technology and capacity, and with the limited ability of the input-output method to incorporate such information, the above assumptions are necessary to examine the effects of changes in demand and production technology throughout an economy.

Applications of Input-Output Analysis: Multipliers

The transactions table, illustrated above, describes an economy in equilibrium, it maps the final demand for goods and services and the inter-industry transactions that are required to satisfy that demand. More than simply describing the form of production in an economy, input-output analysis can be used to examine a number of important economic issues. Input-output methods have been used to predict the impacts of changes in federal taxes on economic activity, to examine the consequences of reductions in federal defense spending, to investigate the income and employment effects of downsizing industries and to analyze industrial and regional linkages. Input-output also provides a useful framework for tracing

energy use and other activities such as environmental pollution associated with inter-industry activity.

A vital ingredient in input-output investigations is the multiplier. The concept of the multiplier may be illustrated with reference to inter-industry flows of commodities. An increase in the demand for the output of one industry, say industry A, will cause a direct increase in output within industry A. However, this does not represent the total additional output required to satisfy the original change in final demand. The additional output of commodity A will result in additional purchases by industry A of the inputs required in production. Thus, industry A will demand additional inputs from industry B and C, for example. These additional demands necessitate an increase in output of industries B and C which in turn place greater demands on their supply sectors, possibly including sector A. These indirect effects will spread throughout the processing sector of the economy. This is not the end of the story of course, for greater volumes of output in the economy mean increased employment, wages and purchases by households. These induced effects necessitate further increases in industry output. In a general sense, input-output multipliers measure the ratio of the combined change in economic activity (the sum of direct, indirect and induced effects) to the initial direct effect. The multiplier thus provides a measure of the degree of economic interdependence of any sector. Sectors with higher multipliers are more closely integrated with the economy as a whole than sectors with relatively small multipliers.

Three of the most frequently used types of multipliers are those that estimate the effects of exogenous changes on the output of sectors in an economy (output multiplier), on income earned by households as a result of changes in output (income multiplier) and on employment that is associated with changes in output (employment multiplier).

Multipliers

We employ standard methods to estimate output and employment multipliers in this study. The calculations involved are briefly outlined here. The first step in the analysis is to use the information in the transactions table, together with data on overall employment and output in each of the producing sectors of the economy, to calculate a table of direct or input-output coefficients and labor coefficients for each industry in the economy. These coefficients measure the inputs of all commodities and labor required to produce one dollar of output in each sector of the economy.

The second step in the analysis is to obtain the Leontief-inverse matrix. This is a matrix of inter-industry coefficients that reveal the direct and indirect input requirements required to produce one dollar's worth of output in each sector of the economy. This is obtained by subtracting the matrix of direct input-output coefficients from an identity matrix and then finding the inverse of this matrix.

The third step in obtaining the employment multiplier is to calculate the product of the labor input coefficient vector and the vector of total input requirements in the economy. The elements of this last computation identify the employment within each sector of the economy that is necessary to produce the inputs required to satisfy one dollar of final demand in any specific sector.

Data

The input-output data employed in this survey were provided by IMPLAN - a microcomputer based system for regional economic analysis. The IMPLAN accounts provide information at the county, state and national levels. A 1992 input-output table for Los Angeles County was used in the analysis conducted here. All price data were deflated to 1996 levels by sector specific price indexes obtained from the Bureau of Economic Analysis (BEA).

The data in input-output tables are either of a physical, say tons, or a monetary dimension. Because of the difficulty of consistently measuring the heterogeneous outputs of some industries in physical terms, transactions table information is increasingly of the monetary kind. In this study, the transactions between sectors of the economy are measured in U.S. dollars. Further, the transactions are all measured in terms of producer prices, or 'free-on-board' (f.o.b.) prices, rather than wholesale or retail prices and thus ignore wholesale and retail trade margins as well as transport costs.

The input-output data provided by IMPLAN includes information on inter-industry transactions, components of value added, final demand and the gross output of each industry. The data is relatively disaggregated: in total 525 sectors of the economy are distinguished, including over 400 manufacturing industries. In the U.S., establishments are assigned to an industry according to their primary product. However, many firms produce several different types of output. In this case, the establishment is classified according to its dominant output, the remaining commodities produced being referred to as secondary products. Because secondary products now constitute such a large proportion of U.S. industrial output, input-output tables are constructed on the basis of the flows of specific commodity types between industrial sectors. Prior to the analysis conducted below, the IMPLAN input-output data were converted to an industry by industry base rather than a commodity by industry base.

To avoid the possibility of aggregation error, analysis of the employment and output effects of changes in welfare programs was performed using all 525 sectors of the economy. While this limits our ability to comprehensively display the data, with the transactions matrix encompassing almost 325,000 cells, it does improve the accuracy of the results.

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